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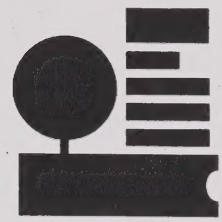
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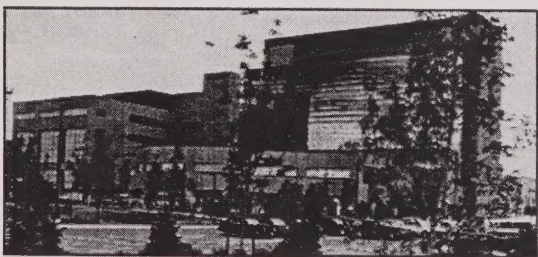
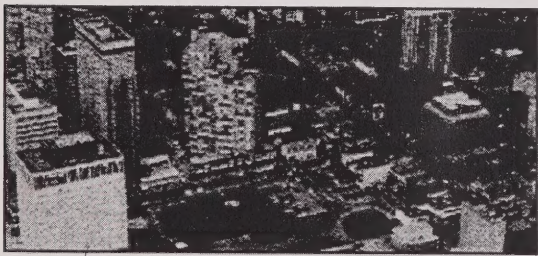
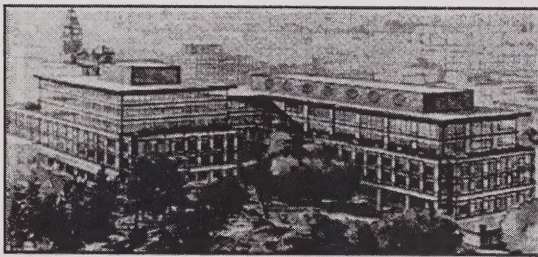
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ANNUAL REPORT 1993 - 1994



Ontario
Realty
Corporation



ABOUT THE ONTARIO REALTY CORPORATION

The Ontario Realty Corporation (ORC) is a Crown agency operating under the Capital Investment Plan Act, 1993, and responsible to the Chair of Management Board of Cabinet.

ORC was established to operate as a commercial enterprise with the legislated objects to provide the Government of Ontario, its programs and other clients with services and financing and improvements related to real property.

The Corporation's mandate is to acquire, develop, market, finance and manage real property in support of the programs of the Government of Ontario and the broader public sector.

ANNUAL REPORT FOR FISCAL 1993-1994

This, the first Annual Report of the Ontario Realty Corporation, sets out the Corporation's history, start-up activities and accomplishments in 1993-1994 — with a view to becoming an organization able to respond to the economic and environmental realities of the 1990s.

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Ontario
Realty
Corporation

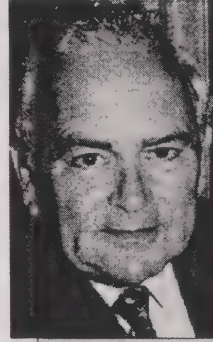
Cette publication est disponible en français.

ONTARIO REALTY CORPORATION

MESSAGE FROM THE CHAIR

In the first year of operation under its broader mandate, the activities of the Ontario Realty Corporation were concentrated mainly on the development and marketing of real estate assets previously acquired from the Government of Ontario and the transition into the ORC from the Ontario Land Corporation.

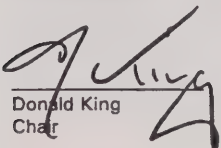
Our activities and acquisitions have established the ORC as a major holder of real estate assets across the Province.



Our first year produced mixed results. Depressed market conditions delayed the marketing and sale of major holdings. However, there were positive results from residential land sales in Stoney Creek, Kitchener and Guelph and in the sale of agricultural farms under the Tenant Purchase program in Nanticoke.

We are very aware of the challenging environmental-management issues we face as a corporation. For example, before each parcel of land was transferred to the ORC, it had to have a clean bill of health on environmental matters. A special task force of the board was established to examine how we may incorporate environmental sustainability into the way we do business. The acquisition of existing buildings means we hold a large number of older buildings, many built in times when knowledge of environmental issues was more limited than today. Some of these buildings will require special consideration.

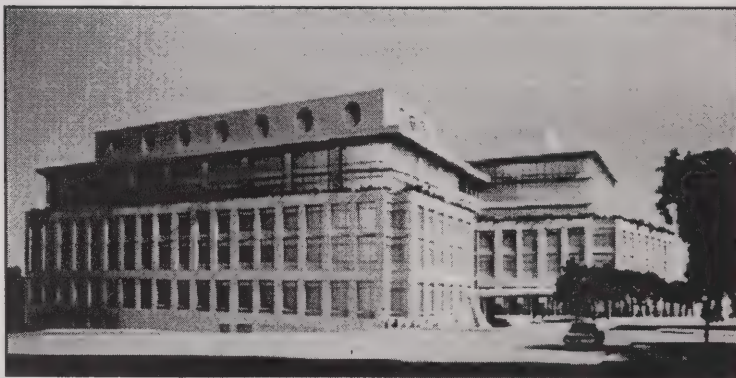
Our challenge as a new corporation is no different than any member of the private-sector real estate community. We must be efficient, sensitive, responsive and responsible to all of our stakeholders — our tenants, owners, lenders and the various communities where we carry out our businesses.


Donald King
Chair

ONTARIO REALTY CORPORATION

YEAR IN REVIEW: 1993-94 HIGHLIGHTS

- With royal assent of the Capital Investment Plan Act, 1993, the Ontario Land Corporation (OLC) was continued as a corporation without share capital under the names of the Ontario Realty Corporation and Société immobilière de l'Ontario, with assets of more than \$440 million.
- The Corporation acquired sites for five new office buildings and two new courthouses, in the design and construction phase. This will require an investment of up to \$500 million over the next few years.
- ORC acquired a portfolio of existing buildings across the province for office and program accommodation, and development purposes. These buildings represent approximately 4,000,000 rentable square feet of office space.
- An innovative, three-stage proposal to market the "East of Bay Street Lands" project at Toronto's Bay and Wellesley streets was initiated.
- The Corporation realized an operating profit of \$7.1 million on sales of more than \$23 million.
- The residential land sales program in Kitchener, Guelph and Stoney Creek produced strong sales results, as did the sale of nine agricultural farms under the Tenant Purchase program in Nanticoke.
- A draft master plan was created for the community of Cornell in Markham. This innovative project will contain about 10,300 homes for 31,000 people in a self-contained development on 1,544 acres of ORC-owned land at Hwy 7 and 9th Line.



Model of the Ministry of Natural Resources' future headquarters in Peterborough, an Ontario Government Relocation Program project currently under construction.

ONTARIO REALTY CORPORATION

CORPORATE OVERVIEW

HISTORY

In February 1993, the Government of Ontario announced the creation of new capital Crown corporations to boost investment in key areas of infrastructure, including government real estate investment. The new Ontario Realty Corporation was noted as a cornerstone of the Province's economic renewal agenda to promote infrastructure investment and build partnerships between government and business for the financing of various projects and services.

The Ontario Realty Corporation was established in two phases. The first involved reactivating the Ontario Land Corporation and assuming its mandate of developing and marketing real estate assets.

On November 15, 1993, the OLC was continued as the Ontario Realty Corporation and, as part of the second phase, its legislative mandate expanded to assume the broader role of financing, holding and managing land and buildings related to government accommodation. This includes responsibility for the design, construction and maintenance of office space and other facilities.

PRINCIPAL BUSINESS AND ACTIVITIES

In its first year, the activities of the Ontario Realty Corporation were concentrated mainly in the businesses of developing and marketing of land assets acquired by the Ontario Land Corporation. Operational and support services were purchased from Management Board Secretariat.

With its broader mandate, the Corporation began preparing to provide a complete range of property management and development services, including:

- operation, maintenance and repair of accommodation facilities and asset management services;
- architectural, engineering and technical services, as well as interior design and research services;
- project management and contract administration services for realty projects;
- real estate appraisal, acquisition, interim management, development, marketing and environmental advisory services for realty activities.

PORTFOLIO OF ASSETS

The Ontario Realty Corporation's real estate asset base is primarily:

- lands acquired by the reactivated Ontario Land Corporation;
- properties for five office buildings and two courthouses in the process of design and construction;
- existing free-standing office buildings.

The portfolio of assets originally acquired by the Ontario Land Corporation includes properties primarily for development and marketing. These include properties held in partnership with the federal government.

The ORC has also acquired properties for five new office buildings and two new courthouses in various stages of design and construction.

The Ontario Realty Corporation's portfolio also includes office and special-purpose buildings across the province.

(See Tables)

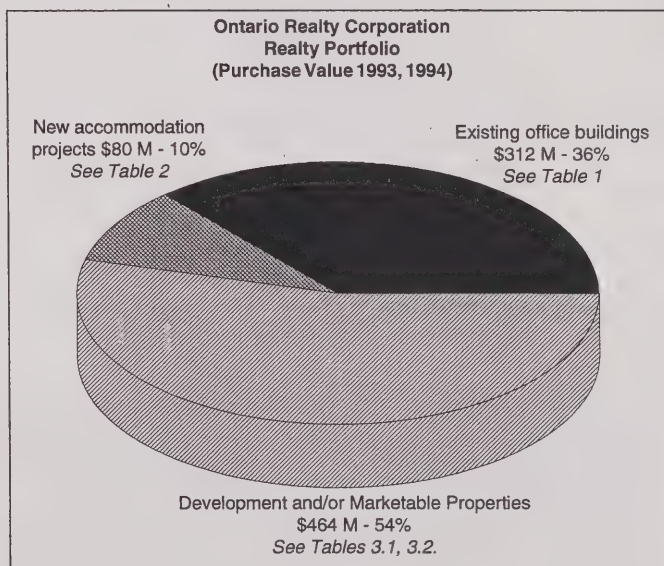


TABLE 1

Table 1: Existing Office Buildings

Municipality	Building Name and Address	Rentable Sq. Ft.	Year Built
Chatham	OPP District Office, 535 Park Avenue East	20,900	1988
Simcoe	548 Queensway West	26,792	1962
Welland	Registry Office, 200 Division Street	17,898	1984
Windsor	1427 Oulette Avenue	14,600	1958/59
Toronto	Mowat Block, 900 Bay Street	292,358	1968
	Hepburn Block, 80 Grosvenor Street	177,982	1968
	Ferguson Block, 77 Wellesley Street West	203,653	1969
	Macdonald Block, 900 Bay Street	394,540	1968
	Hearst Block, 900 Bay Street	122,771	1969
	Total: Queen's Park Complex	1,191,304	
Toronto	Frost Building S., 7 Queen's Park Crescent	135,000	1966
	Frost Building N., 95 Grosvenor Street	89,534	1954
	Total: Frost Building Complex	224,534	
Toronto	George Drew Building, 25 Grosvenor Street	260,103	1972
	Coroner's Office, 26 Grenville Street	28,530	1972
	Total: George Drew Building	288,633	
Toronto	135 St. Clair Avenue West	127,120	1963
Toronto	Welcome House, 132/142 St. Patrick Street	28,762	1988
Kingston	Macdonald Cartier Building, King St./Place D'Armes	161,938	1981
Kingston	181 Barrie Street	14,608	1957
Lindsay	322 Kent Street West	40,607	1958/59
Oshawa	Michael Starr Building, 33 King Street West	386,988	1982
Whitby	Land Registry Office, 590 Rossland Road East	26,813	1990/91
Pembroke	Riverside Drive	35,170	1959
Dryden	479 Government Street	42,069	1976
North Bay	200 First Avenue West, Ministry Head Office	102,714	1990
Sault Ste. Marie	160 McDougall Street	24,349	1961
Sault Ste. Marie	Roberta Bondar Place, 70 Foster Drive	255,137	1990/91
Sault Ste. Marie	Ontario Forest Research Institute, 1235 Queen St. E.	70,677	1991
Thunder Bay	435 South James Street	117,032	1974/75
Sudbury	199 Larch Street	169,234	1979
Sudbury	159 Cedar Street	124,941	1990
Thunder Bay	189 Red River Road	127,170	1992

Note: Charts in this section are based on purchases in 1993-94.

TABLE 2: NEW ACCOMMODATION PROJECTS. These are sites currently in the design and construction phase. They include five office buildings under the Ontario Government Relocation Program and two courthouses.

Table 2: New Accommodation Projects

Municipality	Gross Square Footage	Acres
Hamilton	314,000	1.16
Windsor	326,000	1.25
Orillia	580,000	64.00
St. Catharines	430,000	3.80
Niagara Falls	170,000	2.70
Guelph	526,000	14.17
Peterborough	361,500	2.94



Construction has begun on the new headquarters for the Ministry of Culture, Tourism and Recreation in Niagara Falls. This is one of the five office buildings under the Ontario Government Relocation Program.

MARKETABLE PROPERTIES

**TABLE 3.1: PROPERTIES
UNDER ACTIVE MARKET-
ING PROGRAM.**

These are properties in various stages of the planning process. They vary from agricultural zoning to fully serviced for residential or commercial use. All properties are being actively prepared for marketing during the next five years.

**Federal-ORC Partnership
Properties*

Table 3: Development and/or Marketable Properties

Table 3.1: Properties Under Active Marketing Program	Acres (Approx.)
590 Keele Street (Toronto)	2.70
2001 Eglinton Avenue (Scarborough)	2.65
North York	3.00
Aurora	47.00
Markham	9.00
Milton	1,320.00
Vaughan	6.00
East of Bay (Toronto)	6.48
North York (Keele and Falstaff)	24.00
Oakville	97.00
Mississauga	39.42
Whitby	1,355.00
10-14 Grenville Street (Toronto)	0.26
Brantford Twp.	88.00
Cobourg	6.00
Edwardsburg	6.00
Hamilton and Area (Grimsby/Stoneycreek)	102.00
Kanata	13.00
Kitchener/Guelph	116.00
Nanticoke	1,700.00
Oakville - Glen Abbey (23 lots)	5.00
Newcastle	96.00
Peterborough*	75.00
Sault Ste. Marie	39.00
Scarborough Courtland Mews/Malvern	4.66
Seaton/Whitevale	290.00
Townsend	296.00
Windsor and Riverside East	103.00

ONTARIO REALTY CORPORATION

TABLE 3.2: LAND HELD FOR FUTURE DEVELOPMENT AND SALES: This is land with significant potential for development because of its proximity to existing urban development.

Table 3.2 Real Estate Held for Future Development and Sales	Acres (Approx.)
178 Queen's Quay (Toronto) 12,769 sq. ft. rentable	0.87
90 Harbour Street 141,000 sq. ft. rentable	2.50
2195 Yonge Street 145,000 sq. ft. rentable	1.90
145 Queen Street West 95,576 sq. ft. rentable	1.70
880 Bay Street 148,945 sq. ft. rentable	0.29
801 Bay Street 107,000 sq. ft. rentable	0.27
125 Lakeshore/128 Queen's Quay	4.11
Brampton (O.P.P. Academy)/Brampton**	533.00
Ajax/Whitby	358.00
Scarborough/Scarborough Malvern*	64.00
Oakville/Burlington**	1,309.00
Mississauga***	200.10
Etobicoke (Burnhamthorpe/Hwy 427)	10.00
Chestnut Armoury	1.63
Vaughan**	284.00
Markham (Cornell Development Project)/Markham**	1,440.00
Cambridge	1,834.00
Prescott	9.00
Sault Ste. Marie	560.00
Stoney Creek	701.00
Townsend	2,516.00
Brantford	529.00
Windsor	118.00

*Federal-ORC Partnership Properties

**Parkway Belt Property

***Includes Parkway Belt Property

MANAGEMENT DISCUSSION AND ANALYSIS

REAL ESTATE ENVIRONMENT

The Ontario economy is now emerging from the most serious downturn since the 1930s. Employment gains, rising production, and strengthening domestic and export demand confirm that the recovery is under way, albeit slowly. Real spending on housing declined by 12.8 per cent in 1993, but is expected to increase by 5.2 per cent in 1994 as the recovery gains momentum. Weaker than expected growth led to a decline in housing starts of 20 per cent in 1993, compared with 1992. Still, the ORC achieved \$23 million in land sales, with strong results in residential programs that began in Kitchener, Guelph and Stoney Creek and the sale of agricultural farms under the Tenant Purchase program in Nanticoke.

Progress has also been made on other key development projects. Whitby Lynde Shores development applications, including urban design guidelines, draft plan of subdivision and environmental master plan, were submitted to the Town of Whitby. A draft plan for approval of 923 mixed-use residential units in Stoney Creek was submitted. A draft master plan was created for the Cornell development at Markham's 9th Line and Highway 7 after an extensive planning process that began with a design charrette supported by detailed technical and design review. In addition to the primary residential uses, the innovative draft plan for Cornell focused on a commercial core with schools, parks and open spaces. The plan incorporates and preserves all significant natural features, allowing for open space links within the community and the adjacent Rouge Park.

The office commercial real estate market in the Greater Toronto Area (GTA) of approximately 150 million square feet continues to have vacancy rates in the range of 15 to 20 per cent throughout sub-market areas. Little change from these levels is anticipated even though office market selling prices are predicted to be at or near the bottom. Vacancy rates in office realty markets of other major urban centres vary compared with the GTA but are also expected to remain sluggish overall.

MANAGEMENT DISCUSSION AND ANALYSIS

The industrial market in the GTA, of more than 700 million square feet of space, also has a high vacancy rate with a slow growth near term outlook.

The Corporation experienced considerable difficulty meeting land sales targets in these markets. For example, the continued weak demand for office properties required the ORC to delay the marketing program for the “East of Bay Street” properties. Similar other planned sales in the Greater Toronto Area did not occur. Continuing weak demand is anticipated for the ORC’s medium- and high-density residential, office, commercial and industrial properties.

The Agricultural Tenant Purchase Program, currently in place for the South Cayuga land assembly, was expanded to other large provincial agricultural holdings as a way to market agricultural properties and maintain Ontario’s agricultural farmland.



The Roberta Bondar Place in Sault Ste. Marie is in the portfolio of existing office buildings acquired by the ORC.

OPERATING ENVIRONMENT

The Ontario Realty Corporation is set up as a commercial enterprise. It is also a Crown agency and must conduct its business in keeping with various public policies and principles.

Property development and management activities ensure that:

- ◆ The Ontario Realty Corporation supports provincial interests, including:
 - the Ontario government's economic renewal agenda;
 - environmentally sound planning principles;
 - priority to affordable housing on government land; and,
 - provincial, regional and industrial growth strategies, including those for the Greater Toronto Area.

- ◆ Properties are marketed, according to local conditions, with minimal adverse impact on the market value of provincial lands and surrounding private lands.

Other Provincial programs and policies that affected the Ontario Realty Corporation include:

- the Ontario Government Relocation Program;
- 1993 Expenditure Control Plan initiatives;
- pending changes to legislation affecting the Parkway Belt policies.

The Housing Priority Policy (replacing "Housing First") established a clear priority for housing on government land and applied to almost all provincial agencies, boards and commissions. Property development and management activities ensured that development projects continued to meet affordable housing objectives for both the market ownership and social housing markets through, for example, design or controlled sale price.

OPERATING RESULTS

ORC's results for 1993/94 were shaped by the following factors:

- a slow but steady improvement in the overall economy was evident, buoyed by incremental growth in both the Canadian and U.S. economies;
- the commercial, residential and industrial real estate markets remained sluggish, although the residential sector showed new strength starting in 1993/94;
- continuing uncertainty and fluidity in the realty marketplace made asset values and sales forecasting difficult to quantify; and
- mortgage interest rates continued to remain low.

FINANCIAL PERFORMANCE – FISCAL 1993-94

	RESULTS
	(\$000's)
Sale of Lands	23,316
Cost of Sales	16,143
Operating Profit	7,173
Net Earnings	4,605

◆ *Sales and cash from sales:* Limited sales and cash flow occurred in the Greater Toronto Area where depressed market conditions continued. In particular, planned sales in Mississauga, 801 Bay St. in Toronto, a non-profit site in Vaughan, 180 acres of industrial lands in Whitby, and Milton and Oakville land bank sales did not materialize.

However, there were positive results in sales and cash from the residential land sales program market in Guelph, Kitchener and Stoney Creek. Three projects, buoyed by comparatively strong demand, produced sales of \$17.1 million and cash receipts of \$3.9 million. Similarly, the sale of agricultural farms under the Tenant Purchase program in Nanticoke saw nine farms sold for \$1 million.

◆ *Development expenditures:* Many factors contributed to a decrease and deferral in development expenditures for the year: soft market conditions in the Greater Toronto Area; delays in the planning process and planning studies; and new studies to reassess market conditions. In addition, the weak economy increased competition in the industry, resulting in savings on a number of the servicing contracts which did proceed.

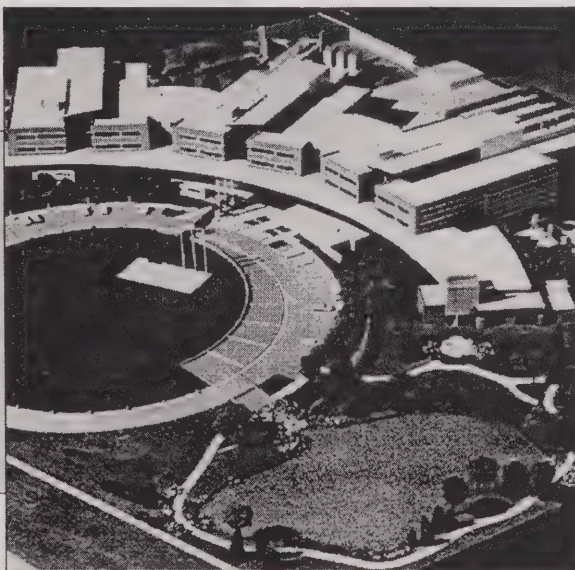
FINANCING

The Ontario Realty Corporation began the year with \$441 million in total assets and corresponding liabilities and equity.

In addition, the ORC acquired sites with a value of \$76.4 million for seven new buildings in various stages of design and construction in locations across the province. Construction and association costs are expected to be up to \$500 million.

The Corporation acquired additional government buildings, with a value of \$336 million, for accommodation and development purposes. Financing for most of this portfolio includes \$84.1 million (25%) in property equity from the Province and the balance, \$252 million, by way of financing obtained through the Ontario Financing Authority (OFA). Financing for the buildings and income properties was obtained from the OFA because they offered the best available terms and rates.

Construction on the new Ontario Provincial Police headquarters in Orillia began in 1993 under the Ontario Government Relocation Program. The new complex will also house the Ministry of the Solicitor General and Correctional Services' administration division.



ONTARIO REALTY CORPORATION

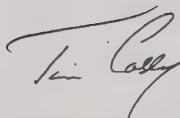
FINANCIAL STATEMENTS

STATEMENT OF MANAGEMENT RESPONSIBILITY

The financial statements contained in this Annual Report have been prepared by the Corporation's Treasurer according to the generally accepted accounting principles appropriate for a private-sector real estate company. The accounting policies followed are described in *notes to the financial statements*.

To ensure the integrity and objectivity of the following financial information, management has established internal control systems to provide reliable accounting records and the security of assets.

The Finance and Audit Committee of the Board of Directors has reviewed the Financial Statements and recommended their approval to the Board of Directors. The Financial Statements have been audited by the Provincial Auditor.



Tim Casey
Chief Executive Officer



Ralph Grant
Treasurer

ONTARIO REALTY CORPORATION

FINANCIAL STATEMENTS

Office of the
Provincial Auditor
of Ontario



Bureau du
vérificateur provincial
de l'Ontario

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Auditor's Report

To the Ontario Realty Corporation,
Chair of the Management Board of Cabinet,
and to the Minister of Finance

I have audited the balance sheet of the Ontario Realty Corporation as at March 31, 1994 and the statements of earnings and retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1994 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

A handwritten signature in dark ink, appearing to read "Erik Peters".

Toronto, Ontario
June 24, 1994

Erik Peters, FCA
Provincial Auditor

ONTARIO REALTY CORPORATION

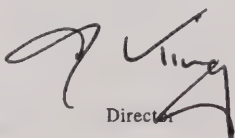
FINANCIAL STATEMENTS

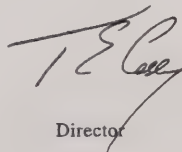
BALANCE SHEET

	\$000's	
As at March 31	1994	1993
ASSETS		
Cash	497	—
Accounts Receivable	162	9
Mortgages Receivable (note 4)	13,240	48
Properties Acquired from the Province of Ontario: (note 2)		
Under Development and for Sale	480,023	440,096
Under Construction	89,490	—
Existing and Subject to Head Leases	311,923	—
Deferred Charges	100	952
	895,435	441,105
LIABILITIES AND EQUITY		
LIABILITIES		
Deposits Held in Trust	190	1
Payables and Other Liabilities (note 5)	8,026	528
Deferred Liabilities (note 6)	2,951	424
Financing Arrangements Province of Ontario (note 2)		
Properties Under Development and for Sale	345,322	350,000
Properties Under Construction & Existing Properties	337,400	—
	693,889	350,953
EQUITY		
Contribution from the Province of Ontario (note 2)	196,941	90,152
Retained Earnings	4,605	—
	201,546	90,152
	895,435	441,105

See Notes to Financial Statements

On behalf of the Board:


Director


Director

ONTARIO REALTY CORPORATION

FINANCIAL STATEMENTS

STATEMENT OF EARNINGS AND RETAINED EARNINGS

Year Ended March 31	\$000's	
	1994	1993
REVENUE		
Land Sales	23,316	56
Cost of Sales (note 8)	16,143	56
Operating Profit	7,173	—
Interest and Miscellaneous Revenue	185	—
Total Operating Profit	7,358	—
EXPENSES		
Administrative and Other	2,477	—
Interest and Bank Charges	128	—
Bad Debts	148	—
Total Expenses	2,753	—
Net Earnings	4,605	—
Retained Earnings, beginning of year	—	—
Net Earnings	4,605	—
Retained Earnings, end of year	4,605	—

See Notes to Financial Statements

FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN FINANCIAL POSITION

	\$000's	
Year Ended March 31	1994	1993
OPERATING ACTIVITIES		
Net Earnings	4,605	—
Non-cash Item		
Provision for Doubtful Accounts	134	—
Other Assets and Liabilities, Net Change	(2,413)	(56)
	2,326	(56)
INVESTING ACTIVITIES		
Properties Acquired from the Province of Ontario	(441,340)	(440,096)
FINANCING ACTIVITIES		
Contribution from the Province of Ontario	106,789	90,152
Financing Arrangements Province of Ontario (note 2)	337,400	350,000
Repayment — Ministry of Finance	(4,678)	—
	439,511	440,152
CASH POSITION		
Net Increase in Cash During Year	497	—
Cash Balance Beginning of Year	—	—
Bank Balance End of Year	497	—

See Notes to Financial Statements

ONTARIO REALTY CORPORATION

NOTES TO FINANCIAL STATEMENTS

GENERAL

The Ontario Realty Corporation (ORC) was established on November 15, 1993 under the Capital Investment Plan Act 1993 (the "Act"). At that time, the Ontario Land Corporation (OLC) Act was repealed and the OLC merged into ORC.

In accordance with the Act, the objects of the ORC are:

- i) to provide the Government of Ontario, its programs and others, with services and financing related to real property and improvements to real property;
- ii) to provide any additional objects as directed by the Lieutenant Governor in Council.

In accordance with the provisions of the Act, the ORC is incorporated under the laws of Ontario as a Crown Corporation without share capital, and is an agent of the Crown. The ORC is exempt from Federal and Provincial income taxes.



Model of the new headquarters for the Ministry of Agriculture, Food and Rural Affairs in Guelph.

Prior to the establishment of ORC, the OLC was reactivated in April 1992 to manage the development and sale of government surplus lands. OLC had ceased active operations on March 31, 1987, but was reactivated as the initial step towards forming ORC, a Crown corporation providing realty services for the government. The comparative figures for 1993 are shown accordingly in the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) General

These financial statements have been prepared according to generally accepted accounting principles appropriate for a private-sector real estate company.

b) Properties Acquired from the Province of Ontario — Carrying Value

Properties Under Development and for Sale are stated at the lower of cost and estimated net realizable value. Cost includes acquisition cost (estimated market value as at the date of purchase), property taxes, capitalized development costs, interest and direct administrative costs, less interim property rents and expenses.

Properties Under Construction are stated at cost plus actual and accrued construction costs at March 31, 1994. Existing properties are stated at acquisition costs. The carrying values of these properties do not exceed estimated future recoveries.

c) Revenue Recognition

Revenue from the sale of properties is recognized at the time of closing.

2. RELATED PARTY TRANSACTIONS — PROVINCE OF ONTARIO

a) Properties Acquired from the Province of Ontario

i) Properties Under Development and for Sale

On March 25, 1993 the Corporation acquired surplus properties from the Province of Ontario (the Province) for \$440.2 million satisfied by an equity contribution of \$90.2 million and financing arrangements with the Province for \$350 million. On March 30, 1994, as part of an acquisition of existing office buildings from the Province, five properties (cost \$24.3 million) were considered developable and classified as such in the financial statements. During the year, the Corporation also received a cash infusion of \$22.7 million from the Province for property development, payment of financing interest and administrative costs. The investment in properties under development and for sale is as follows:

	\$000's <u>1994</u>	\$000's <u>1993</u>
Balance beginning of year	440,096	—
Acquisitions	24,299	440,152
Direct development and construction costs	8,119	—
Capitalization of:		
Financing interest	27,769	—
General and administrative expenses	502	—
Net interim property rents & expenses	(4,619)	—
Cost of properties sold	(16,143)	(56)
Balance, end of year	<u>480,023</u>	<u>440,096</u>

FINANCIAL NOTES

Financing arrangements for acquisition of the properties under development and for sale are as follows:

Payable to the Ministry of Finance for Ontario — four segments:

Rate (%)	Maturity Date	\$000's <u>1994</u>	\$000's <u>1993</u>
7.46	March 25, 1995	70,322	75,000
7.89	March 25, 1996	100,000	100,000
7.99	March 25, 1997	100,000	100,000
8.08	March 25, 1998	75,000	75,000
		<u>345,322</u>	<u>350,000</u>

Interest is compounded and paid annually. Each segment is renewable on maturity up to a total term of 20 years.

ii) Properties Under Construction and Existing Properties

On February 28, 1994, the Corporation acquired at a cost of \$76.4 million, seven buildings currently under construction. The buildings, to be completed by 1998, are expected to cost \$500 million and, under the terms of an agreement with the Province, will be leased to the Province for a period not exceeding 25 years. The Corporation has arranged interim financing from the Ontario Financing Authority, a funding conduit of the Province, to pay for all development costs. Appropriate long-term financing and equity contribution will be determined on completion of the buildings.

On March 30, 1994, the Corporation acquired from the Province a number of existing office buildings for \$336.1 million — the market value at that date. The acquisition was satisfied by an equity contribution of \$84.1 million and a financing arrangement with the Ontario Financing Authority for the balance of \$252 million. Five buildings representing \$24.3 million of the

FINANCIAL NOTES

acquisition cost are classified as Properties Under Development and for Sale. Title to the acquired properties will be conveyed to the Corporation only as made necessary for operational needs. The investment in the acquired properties is as follows:

	Under Construction <u>\$000's</u>	Existing Buildings <u>\$000's</u>
Acquisitions	76,400	311,813
Capitalized Development and Construction Costs	13,090	—
Capitalized Financing Interest	—	110
	<u>89,490</u>	<u>311,923</u>

Financing arrangements for acquisition of the properties under construction and existing properties are as follows:

	<u>\$000's</u> <u>1994</u>	<u>\$000's</u> <u>1993</u>
Ontario Financing Authority:		
For Properties Under Construction	82,400	—
For Standby Line of Credit	3,000	—
	<u>85,400</u>	

Financing is on a 90-day rolling basis with interest set at approximately three-eighths of a percent below the bank's prime rate of interest.

FINANCIAL NOTES

Payable to the Ontario Financing Authority
\$252.0 million, all maturing March 1, 2019 with
interest reset dates as follows:

Current	Interest	\$000's	\$000's
<u>Rate (%)</u>	<u>Reset Date</u>	<u>1994</u>	<u>1993</u>
7.98	March 1, 1999	18,000	—
8.67	March 1, 2004	70,000	—
9.08	March 1, 2019	164,000	—
		<u>252,000</u>	<u>—</u>

Interest is compounded semi-annually and paid in monthly
blended instalments of principal and interest over 25 years.

Total	<u>337,400</u>
--------------	-----------------------

All of the properties have been leased back to the Province effective April 1, 1994 for varying
lease terms up to 25 years at market rents.

As agreed between the parties, the effective date of the transaction is April 1, 1994 and according-
ly no adjustments for operating revenue and expenses of the existing properties have been made
for the period between the closing of the purchase and sale transactions, and the fiscal year end,
March 31, 1994. Furniture and equipment have been provided by the Province without charge to
the Corporation.

FINANCIAL NOTES

b) Contribution from the Province of Ontario

The Ontario Government contributed financing for acquiring and developing properties in the form of equity as follows:

	\$000's	\$000's
	<u>1994</u>	<u>1993</u>
Balance, beginning of year	90,152	—
For acquisition of existing buildings	84,100	90,152
Cash infusion	22,689	—
Balance, end of year	<u>196,941</u>	<u>90,152</u>

3. PARTNERSHIP

Included in the Properties Under Development and for Sale are a number of properties on which the Corporation has acquired a partnership interest. The partnership is with Canada Mortgage and Housing Corporation (CMHC) and represents a joint undertaking between ORC and CMHC for management, development and sale of the partnership lands. Revenues and expenditures are shared by the partners with ORC's share being 25 per cent. ORC is the "responsible partner" for managing, developing, marketing and administering the partnership lands, and recovers 75 per cent of the administration fees that are allocated to the partnership projects.

The following represents ORC's interest in the partnership and are reflected in the appropriate captions in the financial statements:

	\$000's	\$000's
	<u>1994</u>	<u>1993</u>
Properties Under Development and for Sale	4,731	4,503
Mortgages Receivable	248	—
Sales	292	—

FINANCIAL NOTES

4. MORTGAGES RECEIVABLE

Mortgages receivable comprise principal amounts outstanding plus accrued interest.

	\$000's	\$000's
	<u>1994</u>	<u>1993</u>
Gross mortgages receivable	14,119	48
Deduct: CMHC Partnership interest	745	—
	<u>13,374</u>	<u>48</u>
Provision for doubtful accounts	134	—
	<u>13,240</u>	<u>48</u>

5. PAYABLES AND OTHER LIABILITIES

	\$000's	\$000's
	<u>1994</u>	<u>1993</u>
Accrued payables on		
properties under construction	7,162	—
Due to Management Board Secretariat	68	—
Accrued interest	677	528
Other accounts payable	119	—
	<u>8,026</u>	<u>528</u>

6. DEFERRED LIABILITIES

	\$000's	\$000's
	<u>1994</u>	<u>1993</u>
Accrued Liabilities for Future Development Costs	2,851	—
Municipal Levies Prepaid by		
Management Board Secretariat	100	424
	<u>2,951</u>	<u>424</u>

FINANCIAL NOTES

Accrued liabilities for future development costs represent ORC's obligations for development expenditures on land already sold. Management Board Secretariat (MBS) prepaid municipal levies of \$100,152 which are payable to MBS when received by ORC.

7. INTEREST

	\$000's	\$000's
	<u>1994</u>	<u>1993</u>
Interest accrued for the year	27,516	528
Interest capitalized	27,567	—
Interest expensed:		
Cost of sales	349	—
Other	128	—
Interest deferred	—	528

8. COST OF SALES

	\$000's	\$000's
	<u>1994</u>	<u>1993</u>
Land acquisition costs	9,700	56
Capitalized costs:		
Development and direct administrative	6,094	—
Financing interest	349	—
	<u>16,143</u>	<u>56</u>

CORPORATE INFORMATION

THE BOARD OF DIRECTORS

MEMBERS

Donald King, Mississauga
Vic Augustine, Toronto
Timothy Casey, Toronto
Kevin J. Garland, Toronto

Jean Lam, Toronto
Doris Schwar, Sudbury
Lucy Stocco, Toronto
Richard Tyssen, Toronto

EXECUTIVE COMMITTEE

Donald King
Timothy Casey

Kevin J. Garland
Lucy Stocco

FINANCE AND AUDIT COMMITTEE

Donald King
Vic Augustine
Doris Schwar

DEVELOPMENT AND OPERATIONS COMMITTEE

Kevin J. Garland
Jean Lam
Richard Tyssen

OFFICERS

Chair

Donald King

Chief Executive Officer

Timothy Casey

Treasurer

Ralph Grant

Secretary

William J. Bugyra

ONTARIO REALTY CORPORATION

Ontario Realty Corporation

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Toronto, Ontario
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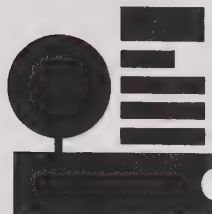
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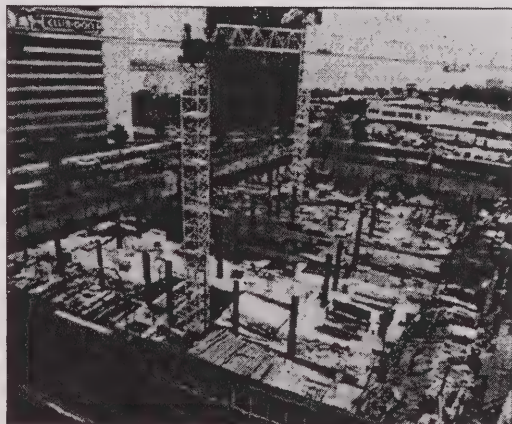
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ANNUAL REPORT 1994 - 1995



Ontario
Realty
Corporation



ABOUT THE ONTARIO REALTY CORPORATION

The Ontario Realty Corporation (ORC) is a Crown agency operating under the Capital Investment Plan Act, 1993, and responsible to the Chair of Management Board of Cabinet.

ORC was established to operate as a commercial enterprise with the legislated objects to provide the Government of Ontario, its programs and other clients with services and financing and improvements related to real property.

The Corporation's mandate is to acquire, develop, market, finance and manage real property to support the programs of the Government of Ontario and the broader public sector.

ANNUAL REPORT FOR FISCAL 1994-1995

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Cover photos

1. Top left: Ministry of Transportation headquarters in St. Catharines includes a transit terminal.

2. Middle: View of the head office construction site for the Ministry of Agriculture and Food in Guelph.

3. The Windsor courthouse foundations, looking northeast.



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Corporation

Cette publication est disponible en français.

ONTARIO REALTY CORPORATION

MESSAGE FROM THE CHAIR

ORC's second year of operation was one of significant achievement. The Corporation is in year two of a three-year transition from a government department to a Crown Agency with a "private sector attitude". Our emphasis has been and continues to be customer service, providing our clients with the most efficient and cost effective facilities to best support their program delivery to the public.

During the year, the transfer of all realty staff from Management Board Secretariat to the Corporation was completed. But more than that, the process of reorganizing and retraining was accelerated. We wanted to ensure that our employees and our tenants work together to provide better services with limited resources. Change can only be achieved by the active and positive involvement of all staff. In this regard the Board has been impressed by the enthusiasm, dedication and hard work by staff of all levels as we progress through this transition.

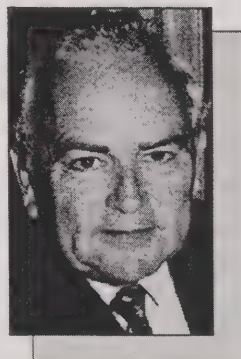
In other areas, the office buildings acquired under construction from the government continued to be effectively managed. All projects are on time and budget, with occupancies starting in 1995.

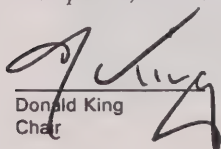
As well, the Corporation acquired an additional portfolio of existing buildings from the Government at a fair market price of \$333 million. The Corporation now has a significant portfolio of income properties to rigorously manage and rationalize as we respond to the policy initiatives of the Government.

On the land development side, our large Cornell development moved through the planning and approval stage towards marketing. In this and other valuable landholdings we continue to work with the private sector to establish strategic alliances, where appropriate, to optimize our values.

The Corporation also owns significant lands for longer term development. Unfortunately, real estate markets are extremely soft. Coupled with the cash cost of holding these lands, primarily interest paid to the Government on the debt used in part to finance their acquisition, the soft market has required a reappraisal of the value. Consequently the Board has prudently decided to provide for a loss in value in the 1994/95 Financial Statements.

Our challenge will be to develop creative approaches in the management of the Province's vast real estate holdings to ensure the Government priorities of renewing the economy and reducing the deficit are met. We look forward to an active year of property development, sales and management during this very interesting time of transition.




Donald King
Chair

ONTARIO REALTY CORPORATION

YEAR IN REVIEW: 1994-95 HIGHLIGHTS

- The Corporation spent \$134.7 million in total on the development of new income properties in 1994/95.

The ORC continued work on the Ontario Government Relocation Program and new courthouse facilities. New government buildings in Niagara Falls and Orillia will be completed this year for the Ministries of Citizenship, Culture and Recreation and Solicitor General and Correctional Services respectively. Phased moves for the new Ministry of Transportation's new head office facility in St. Catharines will also be started in 1995.

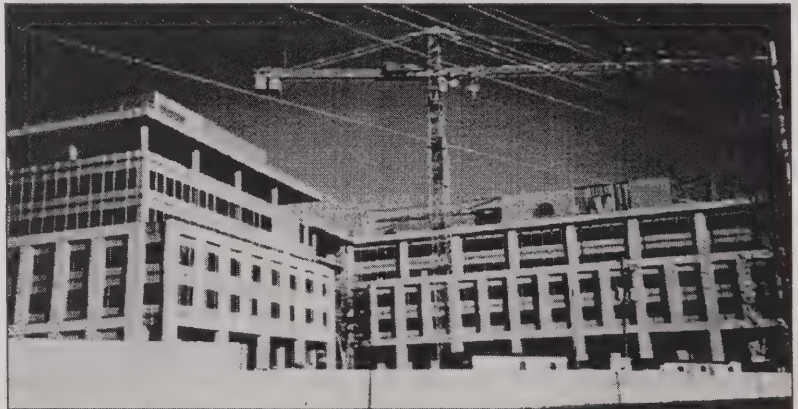
Scheduled for completion in 1996 are buildings in Guelph for the Ministry of Agriculture, Food and Rural Affairs, and in Peterborough for the Ministry of Natural Resources.

New courthouses in Windsor and Hamilton are under construction.

- Construction on the newly acquired Ministry of Health Whitby Mental Health Centre is well advanced and completion is scheduled for late 1996.

- ORC purchased an additional \$333 million of existing government buildings across the Province.

- Over the past year the ORC has worked with the Ministry of Finance, MBS and ministries to assist in the development of a chargeback framework



The Ministry of Natural Resources' future headquarters in Peterborough, an Ontario Government Relocation Program project currently under construction.

ONTARIO REALTY CORPORATION

YEAR IN REVIEW: 1994-95 HIGHLIGHTS

for accommodation and realty services to Ontario Government ministries. The chargeback framework will increase accountability within Ministries for the way they use and manage their resources and ultimately will produce a cost savings to government through a more effective use of realty assets.

- The ORC invested approximately \$35.4 million in its properties that are being developed for sale during the 1994-95 fiscal year.
- Despite the weak sales environment, the Corporation generated \$24.5 million from land sales in 1994/95.



The Ottawa Courthouse is in the portfolio of existing office buildings acquired by the ORC.

CORPORATE OVERVIEW

HISTORY

In February 1993, the Government of Ontario announced the creation of new capital Crown corporations to boost investment in key areas of infrastructure, including government real estate investment.

The ORC was established in two phases. The first involved reactivating the Ontario Land Corporation (OLC) and assuming its mandate of developing and marketing real estate assets.

On November 15, 1993, with Royal Assent of the Capital Investment Plan Act, 1993, the Ontario Land Corporation Act was repealed and the OLC became the Ontario Realty Corporation. As part of the second phase, the Corporation's legislative mandate expanded to assume the broader role of financing, holding and managing land and buildings related to government accommodation. This includes responsibility for the provision of professional realty, accommodation, property development and property management services on behalf of the Government of Ontario.

STRUCTURE

The ORC is governed by a Board of Directors drawn from the private and public sectors and appointed by the Government. The Board is responsible to the Chair of Management Board for fulfilling its mandate, subject to strategic direction from the Government. The Corporation files quarterly and annual reports with the Chair of Management Board.

The Corporation is comprised of two operational divisions and a central support branch:

- Property Management Division
- Property Development Division
- Business Development Branch

ONTARIO REALTY CORPORATION

CORPORATE OVERVIEW

The organization is decentralized, with a network of operating locations and employees across the Province. In 1994/95, operational and support services were purchased from Management Board Secretariat (MBS) up to January 31, 1995. Effective February 1, 1995 MBS-Realty Group staff were transferred to the ORC.

The MBS-Realty Group has been an organization experienced in providing real estate and accommodation services to government clients in an open, fair and competitive environment. It creates a solid staff base for the Corporation to draw upon to meet its mandate.

PRINCIPAL BUSINESS AND ACTIVITIES

The ORC plays a dual role. As an owner/landlord, ORC is directly responsible for the acquisition, development, ongoing management and disposal of its owned real property assets and the provision of accommodation and property management services to government occupants of its buildings. The ORC also provides the same services to MBS for MBS-owned and leased properties and provides real estate, property development and management services to other government clients and broader public sector groups on behalf of the Government of Ontario.

The Corporation has three principal businesses:

Property Management and Accommodation Services

This is comprised of activities and services which support owned, managed and/or leased facilities required to meet the Government's accommodation needs. Services include:

- portfolio/asset management and planning;
- development, leasing, project management and contract administration for realty projects, including procurement and management of furnishings and equipment;
- operation, maintenance and repair of accommodation facilities.

Property Development and Realty Services

This includes technical services and activities required in property development projects and the sale of real property on behalf of the Corporation and its clients. Services include:

- programming, architectural, engineering, interior design and research;
- real estate appraisal, acquisition and sales, interim land management, and environmental advisory services for realty activities; and
- project management and contract administration.

Real Property Development and Marketing Services

This includes activities and projects required in the development and marketing of the Corporation's real estate assets. Services include:

- acquisition of land, development planning, site servicing and marketing of land.

These businesses may involve innovative financing of realty projects including partnerships with public and private sector participants.

OWNED AND MANAGED ASSETS

ORC's Owned Portfolio of Assets

The ORC's owned real estate asset base consists primarily of:

Income Properties

- Completed Office and Special Purpose Buildings

These buildings represent approximately 8.3 million rentable square feet of space and are primarily occupied by government staff and programs. They are comprised of office space, courthouses, OPP detachments and registry offices.

CORPORATE OVERVIEW

- New Facilities

These are buildings currently in the design and construction phase. They include five (5) office buildings under the Ontario Government Relocation Program, two (2) courthouses and a mental health facility. *See Table 1 for list of new facilities in design and construction.*

Table 1: New Facilities.

Municipality	Gross Square Footage	Site (acres)
Hamilton - Courthouse	322,000	1.16
Windsor - Courthouse	394,500	2.40
Orillia - Office	580,000	64.00
St. Catharines - Office	483,000	3.10
Niagara Falls - Office	196,000	3.70
Guelph - Office	532,000	14.17
Peterborough - Office	363,500	3.00
Whitby - Hospital	500,000	76.00
TOTALS	3,371,000	167.53

Properties Under Development and for Sale

The book value of ORC properties held for development and sale as of March 31, 1995 was \$416.0 million. ORC properties for development and/or sale can be generally divided into two categories :

- Properties For Development and/or Sale

These properties are in various stages of the development, planning or marketing process. They vary from agricultural zoning to fully serviced residential or commercial use. Properties are being actively prepared for marketing. This active component includes \$83.0 million in lands under development and sale, \$98.0 million in properties under direct marketing programs and \$64.0 million for the Cornell and Markham development projects.

- Land Held For Future Development and Sale

Approximately \$171.0 million of the Corporation's portfolio consists of "non-contributing properties" in the near term. These properties have potential for value appreciation because of their proximity to existing urban development. They consist of \$62.0 million in lands held for future development and sale, \$89.0 million in Parkway Belt lands and \$20.0 million in commercial properties held for future government program use.

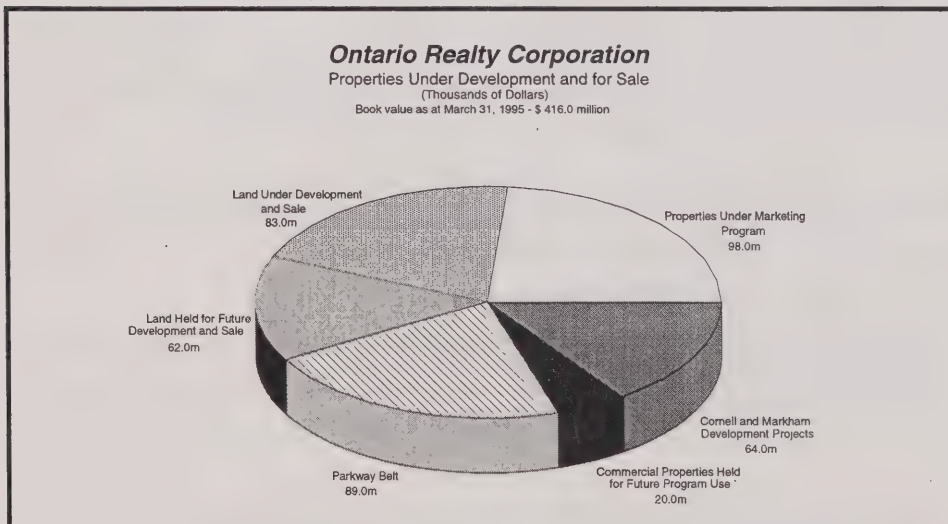
Chart 1, on the next page, provides a graphic representation of values and categories.

Assets Managed by ORC

The ORC manages government-owned and properties leased from the private sector by MBS to accommodate government programs. Annually, this represents a substantial portion of ORC's business as a property manager and service provider. MBS owns and manages approximately 33.0 million rentable square feet of space. In addition, it also leases approximately 11.0 million rentable square feet of space, under approximately 1,400 separate lease agreements.

MBS's land inventory includes Parkway Belt lands, office buildings, residential units, institutions, correctional facilities, courthouses, fish hatcheries, highway and forestry complexes, etc.

Chart 1: Properties Under Development and for Sale



MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING ENVIRONMENT

The ORC is set up as a commercial enterprise. It is also a Crown agency and must conduct its business in keeping with various public policies and principles.

In all its development and management activities:

- The ORC supports provincial interests, including:
 - environmentally sound planning principles;
 - priority to government programs;
 - provincial, regional and industrial growth strategies, including those for the Greater Toronto Area;
 - Environmental Assessment Act (class review requirements);
 - preservation protocol for heritage properties;
 - the health and safety of employees and building users;
 - adherence to fair wage policies.

- The ORC markets properties according to local conditions, with minimal adverse impact on the market value of provincial lands and surrounding private lands.

In addition to legislation common to similar private-sector organizations, other Provincial programs, policies, or acts that affect the ORC include:

- the Ontario Government Relocation Program;
- the Government annual planning and funding processes;
- Capital Investment Plan Act, 1993; and
- Public Service and Crown Employees Collective Bargaining Acts, 1993.

1994/95 RESULTS

ORC's results for 1994/95 were shaped by the following factors:

- a slow but steady improvement in the overall economy was evident, buoyed by incremental growth in both the Canadian and U.S. economies;
- the commercial, residential and industrial real estate markets remained sluggish;
- the residential sector showed new strength in 1994/95 with housing starts up over 1993/94;
- continuing uncertainty and fluidity in the realty marketplace made asset values decrease and sales forecasting difficult to quantify; and
- mortgage interest rate increases.

Residential and related commercial development is a significant component of ORC's land holding. Land development is a capital intensive industry because outlays for land, building costs, and marketing must be made sometimes significantly in advance of sales. Since the timing and amount of revenues are uncertain in this highly cyclical industry, providers of equity and/or debt financing are not easy to find.

Interest rate volatility in particular, has continued to delay any sustained economic momentum in Ontario's real estate market and has left many prospective purchasers/developers cautious.

Our 1994/95 sales results reflect the uncertainty of the market. ORC's land portfolio needs a continued easing of short- and medium-term rates so that prospective real estate purchasers may have the confidence to return to the market.

The Corporation owns significant lands for longer term development. In a weak market, land values remain depressed with no significant increases. This trend, combined with

interest cost associated with the holding and development of properties, requires the Corporation to adjust its value of landholdings to fairly reflect the current value of its portfolio.

Reflected in the 1994/95 Financial Statements, the Ontario Realty Corporation has taken steps to adjust the value of its portfolio. A provision for loss in value of \$80 million in the land portfolio has been made.

ORC Properties and Development Projects

Income Property Activities

The Corporation acquired additional government buildings, with a value of \$333 million. These income buildings represent approximately 4,700,000 rentable square feet of space and include office space, courthouses, OPP detachments and registry offices. Financing for this portfolio includes \$83 million (25%), in equity from the Province and the balance, \$250 million by way of financing obtained through the Ontario Financing Authority (OFA). Financing for the buildings was obtained from the OFA to allow the ORC to take maximum advantage of the Province's favorable credit rating and bulk borrowing strength. *See Table 2 starting on next page for a complete list of income properties purchased in 1994/95 for government accommodation.*

The Corporation has a total of eight new income-producing properties in various stages of design and construction. In 1994/95 it spent \$134.7 million in the development of these properties. To date, the Corporation has invested \$277.5 million in the development of these properties. Occupancy is scheduled to start in the summer of 1995.

In 1994/95, the Corporation spent \$26.0 million in the operation and maintenance of its income producing properties.

MANAGEMENT DISCUSSION AND ANALYSIS

Table 2 : ORC Income Properties Purchased in 1994/95

ORC Property Purchases (1994/95)

MUNICIPALITY	BUILDING NAME/ADDRESS	TOTAL (sq. ft.) BUILDING SIZE
ATIKOKAN	OPP Detachment Highway 622	3,719
AURORA	Ontario Government Building 50 Bloomington Rd. W.	53,993
AURORA	OPP District HQ and Detachment 100 Bloomington Rd. W.	34,665
AYLMER	MNR District Office 353 & 361 Talbot St. W.	6,755
BARRIE	OPP District HQ and Detachment 20 Rose St.	19,446
BARRIE	Admin. of Justice Complex 114 Worsley St.	160,300
BELLEVILLE	OPP District HQ 400 North Front St.	10,517
BRACEBRIDGE	Courts/Registry Office 3-15 Dominion St.	22,072
BRACEBRIDGE	OPP Detachment 74 Park Rd.	9,052
BRAMPTON	Registry Office 7765 Hurontario St.	62,740
BRANTFORD	OPP Detachment 10 Fairview Rd.	5,231
BRANTFORD	Admin. of Justice Complex 80 Wellington St.	31,998
BRIGHTON	OMAF Vet. Hospital 95 Dundas St. E.	13,571
BROCKVILLE	MNR/Ontario Government Building Oxford St. and King St. E.	26,000
CAMPBELLFORD	OPP Detachment 20 Industrial Dr.	10,815
CAMBRIDGE	OPP Detachment 500 Beaverville Rd.	3,140
CAMBRIDGE	MNR District Office 605 & 607 Beaverville Rd.	18,390

MANAGEMENT DISCUSSION AND ANALYSIS

ORC Property Purchases (1994/95)

MUNICIPALITY	BUILDING NAME/ADDRESS	TOTAL (sq. ft.) BUILDING SIZE
CHAPLEAU	OPP Detachment Chapleau Rd.	2,196
CHATHAM	Registry Office 40 William St. N	4,700
COBOURG	OPP Detachment 1165 Division St.	10,815
COCHRANE	Courts/Registry Office 149 Fourth St.	37,703
COCHRANE	OPP Detachment 64 Third Ave.	4,038
COCHRANE	Ministry of Finance Building 161 Fifth Ave.	5,562
COCHRANE	MNR District Office (Lamarche) 2 Third Ave.	41,582
CORNWALL, TWP.	OPP Long Sault DHQ and Det. Mille Roche Road	12,754
DRYDEN	OPP Detachment 389 Government St.	6,289
ESPANOLA	MNR District Office 148 Fleming St.	14,476
ESPANOLA	OPP Detachment Highway 17	5,190
ETOBICOKE	MOEE Laboratory 125 Resources Rd.	272,554
ETOBICOKE	MBS Maintenance Headquarters 185 Judson St.	143,480
FORT FRANCES	MNR District Office 922 Scott St.	26,178
GUELPH	Milk & Pesticide Labs, OMAFRA Stone Road West	96,801
HALDIMAND	Admin. of Justice Complex 55 Munsee St. and 10 Echo St.	19,698
HAGGARTY, TWP.	Killahoe OPP Detachment Highway 60	3,219

ONTARIO REALTY CORPORATION

MANAGEMENT DISCUSSION AND ANALYSIS

ORC Property Purchases (1994/95)

MUNICIPALITY	BUILDING NAME/ADDRESS	TOTAL (sq. ft.) BUILDING SIZE
HAMILTON	Ontario Government Building 119 King St. W.	242,776
HEARST	OPP Detachment 1019 Front Street	4,215
HEARST	MNR District Office 613 Front St.	13,619
HUNTSVILLE	MTO District Office and Garage S/E Main St. and Kitchen Rd.	81,352
HUNTSVILLE	OPP Detachment N/E Muskoka Rd. 2 & Hwy. 11	5,258
KANATA	OPP Detachment 937 Teron Rd.	14,845
KAPUSKASING	OPP Detachment 358 Government Rd.	4,638
LINDSAY	OPP Detachment 21 Angeline St.	4,363
LINDSAY	Courts/Registry Office 440 Kent St. W.	73,800
LONDON	Courts/Registry Office 80 Dundas St. W.	178,500
LONDON	MTO Region and District Office 659-707 Exeter Rd.	157,814
LONDON	MCTR District Office 55 Centre St.	4,428
LONDON	Ontario Government Building 353 Richmond St.	5,648
LONDON	MBS Regional Office 900 Highbury Ave.	15,704
MAIDSTONE	OPP Detachment Highway 401 and Country Rd.19	8,990
MILTON	Courts/Registry Office 491 Steeles Ave. E.	87,313
MOUNT FOREST	OPP District HQ. and Detachment 630 Main St. N.	21,147

MANAGEMENT DISCUSSION AND ANALYSIS

ORC Property Purchases (1994/95)

MUNICIPALITY	BUILDING NAME/ADDRESS	TOTAL (sq. ft.) BUILDING SIZE
NAPANEE	OPP Detachment 470 Centre St.	4,944
NEWMARKET	Courts/Registry Office 50 Eagle St.	132,195
NIAGARA FALLS	OPP Detachment 5345 Stanley Ave.	11,823
NIPIGON	OPP Detachment Highway 17	3,620
NORTH BAY	Admin. of Justice Complex 360 Plouffe St.	87,599
NORTH BAY	OPP District HQ Rose Avenue	10,181
NORTH BAY	OPP Detachment Highway 17	11,518
NORTH BAY	MBS District Office Gormanville Road	9,462
NORTH YORK	MTO Downsview Complex 1201 Wilson Ave. & 2680 Keele St.	894,000
OTTAWA	Courthouse/Registry Office 161 Elgin St.	288,446
OTTAWA	Ministry of Health Laboratory 2380 St. Laurent Blvd.	45,398
PEMBROKE	OPP Detachment 162 Agnes St.	5,424
PERTH	OPP Detachment Dufferin St. (Highway 117)	14,412
PERTH	OPP District Headquarters 75 Dufferin St.	14,488
PETERBOROUGH	OPP District HQ and Detachment 453 Lansdowne St. E.	20,567
POWASSAN	OPP Detachment 430 Clarke St.	3,914
PRESCOTT	OPP Detachment Edward Street	3,932

ONTARIO REALTY CORPORATION

MANAGEMENT DISCUSSION AND ANALYSIS

ORC Property Purchases (1994/95)

MUNICIPALITY	BUILDING NAME/ADDRESS	TOTAL (sq. ft.) BUILDING SIZE
PRESCOTT	Registry Office James Street West	2,160
RENFREW	OPP Detachment 532 Stewart St.	2,921
RUSSELL	Registry Office 1122 Concession St.	2,457
ST. CATHARINES	Courts/Registry Offices 59 Church St. & 31 Duke St.	110,860
ST. THOMAS	OPP Detachment Country Rd. No. 45	10,490
SARNIA	Admin. of Justice Complex 700 Christina St. N.	74,812
SAULT STE. MARIE	OPP District HQ and Detachment 740 Great Northern Rd.	24,815
SEBRINGVILLE	OPP Detachment Highway 8	6,640
SIDNEY TWP.	Belleville OPP Detachment Wallbridge Loyalist Road	9,020
SIMCOE	Courts/Registry Office 530 Queensway W.	62,210
SIOUX LOOKOUT	OPP Detachment 18 Fourth Ave.	7,128
SIOUX LOOKOUT	MNR District Office Prince Street and Fourth Avenue	13,103
SIOUX LOOKOUT	Ontario Government Building 62-66 Queen St. E.,	7,115
SMOOTH ROCK FALLS	OPP Detachment Highway 11	1,938
STILL RIVER	OPP Detachment Highway 69	3,380
SUDBURY	Mines and Minerals Lab 933 Ramsay Lake Rd.	235,245
SUDBURY	Admin. of Justice Complex Lorne Street and Elm Street	127,824

MANAGEMENT DISCUSSION AND ANALYSIS

ORC Property Purchases (1994/95)

MUNICIPALITY	BUILDING NAME/ADDRESS	TOTAL (sq. ft.) BUILDING SIZE
THUNDER BAY	OPP District Headquarters 489 Algoma St.	21,224
THUNDER BAY	OPP Detachment 2787 Arthur St. W.	18,775
THUNDER BAY	Ministry of Citizenship Registry Off. 1825 Arthur St.	11,258
THUNDER BAY	MOEE/MNDM Lab 421 S. James St.	26,714
THUNDER BAY	Courthouse 277 Camelot St.	26,571
TILLSONBURG	OPP Detachment Highway 3	4,611
TIMMINS	MNR District Office 896 Riverside Dr.	33,481
TIMMINS	OPP District Headquarters Highway 101 E.	25,380
EAST TORONTO	Admin. of Justice Complex 311 Jarvis St. & 354 George St.	75,728
TORONTO	Medical Facility 2 Surrey Place	37,774
WASAGA BEACH	OPP Detachment River Road West	8,751
WHITBY	OPP Detachment 1301 Henry St.	9,114
WOODSTOCK	OPP Detachment Highway 401 and Highway 2	8,490
TOTALS		4,695,961

MANAGEMENT DISCUSSION AND ANALYSIS

Development and Marketing Activities

The Corporation ensures that investment in properties is committed only when realization of the cash is certain within the foreseeable future through pre-sale of the project or following through studies made to undertake such investments.

During the year, the Corporation worked on development and marketing of number of properties. The ORC invested approximately \$35.4 million in properties that are being developed for sale during the 1994-95 fiscal year. Depressed market conditions and an uncertain money supply for real estate investments produced mixed results and delayed the marketing and sale of major holdings. Despite the fragile sales environment, the Corporation generated \$24.5 million from land sales in 1994/95.

See Table 3 for a list of properties sold by the Corporation in 1994/95.

The Corporation has spent \$0.722 million on the acquisition of small parcels of adjacent lands and development planning in the Cornell Development Project. The Cornell Project is proposed to be an innovative community, providing infrastructure and housing, on ORC and privately-owned land. Cornell has been designed by the internationally renowned architects and town planners: Andres Duany and Elizabeth Plater-Zyberk, who have been reinventing the suburbs with a revival of the old-fashioned neighbourhood, based on the principles of New Urbanism.

ORC has entered into an agreement with Goldlist Development Corporation and Korank Development Corporation for the development of the East of Bay property. This joint venture plan will produce close to 1,000 residential units and approximately 45,000 sq.ft. of commercial space within a four-year period.

MANAGEMENT DISCUSSION AND ANALYSIS

Table 3: 1994/95 ORC Land Sales

Location	Sales Price
· Scarborough Malvern NH3	\$ 75,000
· Oakville Land Bank	426,680*
· Whitby-Agricultural	454,000*
· North York	585,760
· Vaughan - 21	453,240*
· Milton - Land Bank	1,551,938*
· Milton	535,000
· North York Falstaff	13,395,000*
· Mississauga - 47	265,000
· Windsor Devonshire St 1 PH 1	3,245,269
· Nanticoke - 17 Farms	392,500*
· Cobourg 8.27 Acre School Site	517,000
· Carlsbad Springs	492,500*
· Peterborough - Sanderson	258,736
· Stoney Creek Highland St 1	903,400*
· Stoney Creek - Valley Park 5	935,100*
TOTAL	\$24,486,123
* Partial Sale of Site/Lands	

MANAGEMENT DISCUSSION AND ANALYSIS

1994-95 Financial Performance Overview

ACTIVITIES	RESULTS	
	1994/95	1993/94
• Sale of Lands	\$24,486	\$23,316
• Income Property Rentals	57,245	—
• Total Operating Profit	31,906	7,025
• Total Income from Operations	7,614	4,605
• Provision for Loss in Value	80,000	—
• Net Income (Loss)	(\$72,386)	4,605

Construction on the new Ontario Provincial Police headquarters in Orillia began in 1993 under the Ontario Government Relocation Program. The new complex will also house the Ministry of the Solicitor General and Correctional Services. Occupancy will begin in 1995-96.



MANAGEMENT DISCUSSION AND ANALYSIS

ORC Project Service Activities

Annually, the Corporation provides property development (planning, design and construction) and realty services to various government clients. The 1994/95 fiscal year saw expenditures recorded as follows:

- \$ 18.2 million in alterations projects improved the effectiveness and/or efficiency of existing accommodation;
- \$ 47.8 million in capital construction added value to the Provincial inventory of buildings and created jobs in local markets;
- A sample of major alteration and capital projects undertaken in 94/95 include:

Welland — New four-bay ambulance station

Huntsville — District office addition

Thunder Bay — New OPP detachment

Barrie — New travel information centre

Pidgeon River — New travel information centre

Ponsonby — Animal research centre Phase II

- \$ 6.2 million in land acquisition and development across the Province in support of programs delivered by various ministries.



The Mines and Mineral Research Centre located in Sudbury on Ramsey Lake Road.

MANAGEMENT DISCUSSION AND ANALYSIS

Properties Managed on Behalf of Management Board Secretariat (MBS)

The Corporation provided property management services in MBS-owned and other government buildings. In 1994/95, the Corporation spent and implemented:

- \$ 74.3 million in minor repairs, operation and maintenance services; and
- \$ 31.1 million in capital repairs to maintain the assets.

A sample of major repair projects under way or completed in 1994/95 include:

Milton	— Roof Repairs, Maplehurst Correctional Centre;
Toronto	— Administration Building Life Safety Retrofit at 1001 Queen St.;
Parry Sound	— Window Replacement and Ventilation Repairs, Courthouse, and
Kingston	— Generator Replacement, Kingston Mental Health Centre.

Capital Repairs work included a continuation of the elevator retrofit program, with an expenditure of \$1.2 million.

ORC administered approximately 1,400 leases on behalf of MBS to accommodate government programs in buildings owned by the private sector. Aggressive negotiations and early renewal in a weakened market yielded a total cash flow savings from the lease budget of \$13.4 million, of which \$8.1 million represents ongoing annual savings. Lease program expenditures and project activities were as follows:

- annual rental payments of \$ 210.6 million;
- 190 lease renewals completed and 109 new lease projects undertaken;
- \$ 6.7-million expenditure in leasehold improvements.

A sample of major new lease projects completed in 1994/95 include:

Etobicoke	— Court Expansion, 80 The East Mall, (61,050 RSF);
Toronto	— Relocation of Office of the Public Trustee, (61,607 RSF).

FINANCING

Financing Arrangements

During the year ended March 31, 1995, the Corporation acquired from the Province of Ontario:

- (a) properties under construction for \$53,300,000 and
- (b) a portfolio of completed buildings for \$333,430,000.

All properties were acquired at the market value at the time of acquisition.

To finance the acquisition of these properties, the Corporation arranged financing of \$250,100,000 from the Ontario Financing Authority on March 31, 1995. In addition, loans totalling \$120,476,000 were arranged during the year to finance properties under construction.

Contributions from the Province Of Ontario

During the year ended March 31, 1995, the Province contributed \$136,658,000 to finance the acquisition of income properties and a property under construction and \$21,993,000 to fund the development and administrative costs for properties under development and for sale.



The District Court House in Thunder Bay is located on Camelot Street near the city's north ward central business district core.

FINANCIAL STATEMENTS

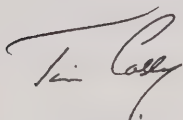
Statement of Management Responsibility

The financial statements contained in this Annual Report have been prepared by the Corporation's Treasurer according to the generally accepted accounting principles appropriate for a private-sector real estate company. The accounting policies followed are described in notes to the financial statements.

To ensure the integrity and objectivity of the following financial information, management has established internal control systems to provide reliable accounting records and the security of assets.

The Finance and Audit Committee of the Board of Directors has reviewed the Financial Statements and recommended their approval to the Board of Directors. The Financial Statements have been audited by the Provincial Auditor.

However, the recently created Ontario Financial Review Commission is expected to examine the reporting practices and activities of ORC, which may result in some changes to the financial statements. The Corporation is committed to reporting financial information in a format which meets the Government's full disclosure requirements while being readily comparable to conventional financial reporting for real estate companies.



Tim Casey
Chief Executive Officer



Ralph Grant
Treasurer

Office of the
Provincial Auditor
of Ontario



Bureau du
vérificateur provincial
de l'Ontario

Box 105, 15th Floor, 20 Dundas Street West, Toronto, Ontario M5G 2C2
B.P. 105, 15^e étage, 20, rue Dundas ouest, Toronto (Ontario) M5G 2C2
(416) 974-9866 Fax: (416) 327-9862

Auditor's Report

To the Ontario Realty Corporation,
Chair of the Management Board of Cabinet,
and to the Minister of Finance

I have audited the balance sheet of the Ontario Realty Corporation as at March 31, 1995 and the statements of operations, retained earnings (deficit) and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Toronto, Ontario
July 13, 1995

A handwritten signature in dark ink, appearing to read "Erik Peters".

Erik Peters, FCA
Provincial Auditor

ONTARIO REALTY CORPORATION

FINANCIAL STATEMENTS

ONTARIO REALTY CORPORATION

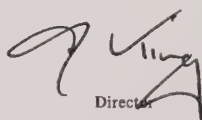
(A Wholly-Owned Crown Agency of the Province of Ontario)

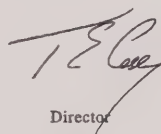
BALANCE SHEET

As at March 31 (\$ thousands)	1995	1994
ASSETS		
Cash	1,421	497
Accounts receivable	2,861	262
Mortgages receivable [note 6]	17,971	13,240
Properties acquired from the Province of Ontario [note 4(a)]		
Under development and for sale	416,009	480,023
Under construction	277,499	89,490
Completed buildings subject to the head lease	641,620	311,923
	1,357,381	895,435
LIABILITIES AND EQUITY		
LIABILITIES		
Deposits held in trust	801	190
Payables and other liabilities [note 7]	24,185	8,026
Deferred liabilities [note 8]	2,227	2,951
Financing arrangements with the Province of Ontario [note 4(b)]		
Properties under development and for sale	356,811	363,540
Properties under construction and completed buildings	685,546	319,182
	1,069,570	693,889
EQUITY		
Contributions from the Province of Ontario [note 4(c)]	355,592	196,941
Retained earnings (deficit)	(67,781)	4,605
	287,811	201,546
	1,357,381	895,435

See Notes to Financial Statements

On behalf of the Board:


Director


Director

ONTARIO REALTY CORPORATION

FINANCIAL STATEMENTS

ONTARIO REALTY CORPORATION (A Wholly-Owned Crown Agency of the Province of Ontario)

STATEMENT OF OPERATIONS

Year Ended March 31 (\$ thousands)	1995	1994
Rentals from Province of Ontario	57,245	—
Operating costs	26,031	—
Depreciation	3,623	—
Profit from rentals	27,591	—
Land sales	24,486	23,316
Cost of sales	20,171	16,291
Profit from land sales	4,315	7,025
Total profit before administrative costs, interest expense and provision for loss in value of properties	31,906	7,025
Administrative and other expenses (net) [note 4(f)]	4,800	2,477
Interest expense (net) [note 4(d)]	19,492	(57)
Profit from operations before provision for loss in value of properties	7,614	4,605
Provision for loss in value of properties under development and for sale [note 9]	80,000	—
Net income (loss)	(72,386)	4,605

STATEMENT OF RETAINED EARNINGS (DEFICIT)

Retained earnings, beginning of year	4,605	—
Net income (loss) for the year	(72,386)	4,605
Retained earnings (deficit), end of year	(67,781)	4,605

See Notes to Financial Statements

ONTARIO REALTY CORPORATION

FINANCIAL STATEMENTS

ONTARIO REALTY CORPORATION

(A Wholly-Owned Crown Agency of the Province of Ontario)

STATEMENT OF CHANGES IN FINANCIAL POSITION

Year Ended March 31 (\$ thousands)	1995	1994
OPERATING ACTIVITIES		
Net income (loss)	(72,386)	4,605
Non-cash items		
Depreciation	3,623	—
Provision for loss in value of properties under development and for sale	80,000	—
Other assets and liabilities, net change	8,716	(2,279)
	19,953	2,326
INVESTING ACTIVITIES		
Additions to properties acquired from the Province of Ontario	(537,315)	(441,340)
FINANCING ACTIVITIES		
Contributions from the Province of Ontario	158,651	106,789
Financing arrangements with the Province of Ontario	370,576	337,400
Debt repayments to the Province of Ontario	(10,941)	(4,678)
	(19,029)	(1,829)
CASH POSITION		
Net increase in cash during year	924	497
Cash at beginning of year	497	—
Cash at end of year	1,421	497

See Notes to Financial Statements

ONTARIO REALTY CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 1995 (Tabular amounts in \$000's)

1. GENERAL

The Corporation is incorporated under the Capital Investment Plan Act 1993 as a Crown corporation of the Province of Ontario, and is an agent of the Crown.

In accordance with the Act, the objects of the Ontario Realty Corporation (ORC) are:

- (i) to provide the Government of Ontario, its programs and others, with services and financing related to real property and improvements to real property;
- (ii) to provide any additional objects as directed by the Lieutenant Governor in Council.

The Corporation is exempt from federal and provincial income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) These financial statements have been prepared in accordance with generally accepted accounting principles appropriate for a real estate company.

(b) Properties Acquired from the Province of Ontario - Carrying Value

Lands under development and for sale are stated at the lower of cost and net realizable value. Costs include acquisition costs, property taxes, development costs, capitalized interest and administrative costs, less net interim property rents and expenses.

Completed buildings are carried at the lower of depreciated cost and net recoverable amounts.

Properties under construction are carried at cost. Costs include direct construction and development costs and capitalized interest and administrative costs.

(c) Revenue Recognition

Land Sales

Revenue from the sale of land is recognized at the time of sale when all material conditions have been fulfilled and the appropriate cash down payment has been received.

FINANCIAL NOTES

Income Properties

Revenue and earnings from completed buildings are recognized as income on a straight-line basis over the term of the lease.

Revenue and earnings from properties under construction are recognized at the earlier of achieving an occupancy level of 80% or one year after substantial completion.

(d) Depreciation

Depreciation on buildings is provided under the sinking fund method. This method will write off the cost of a building over the remaining useful life in a series of annual instalments compounded at the rate of 5% per annum.

3. ECONOMIC DEPENDENCE

The Ontario Realty Corporation is a Crown Corporation of the Province of Ontario (Province). The Corporation is economically dependent on the Province for a majority of its business. The particulars of this dependence are as follows:

(a) Completed Buildings

The repayment of principal and interest on the financing arrangements with the Ontario Financing Authority (OFA), an agency and financial intermediary of the Province, is dependent on rents continuing to be received under the head lease negotiated with the Management Board Secretariat.

(b) Properties Under Development and For Sale

Due to inadequate cash flow during fiscal years 1995 and 1994, the Corporation has relied on equity contributions from the Province to cover land development costs and some debt service costs.

(c) Buildings Under Construction

The Corporation is dependent on the OFA to maintain the construction financing until permanent financing is arranged and on the Province for the long term leases on these projects.

The related party *note 4* expands on the details of these transactions.

FINANCIAL NOTES

4. RELATED PARTY TRANSACTIONS - PROVINCE OF ONTARIO

(a) Properties Acquired from the Province of Ontario

During the year ended March 31, 1995 the Corporation acquired from the Province of Ontario:

- (i) properties under construction for \$53,300,000 (1994 - \$76,400,000), and
- (ii) a portfolio of completed buildings for \$333,430,000 (1994 - \$311,813,000).

All properties were acquired at/or below market value at the time of acquisition.

The market value for completed buildings takes into account the head lease between ORC and the Management Board Secretariat (MBS).

The investment in acquired properties is as follows:

	1995	1994
<u>Completed Buildings</u>		
Cost, beginning of year	311,923	—
Acquisitions	333,430	311,813
Financing interest	(110)	110
Cost, end of year	645,243	311,923
Accumulated depreciation	3,623	—
Net book value, end of year	<u>641,620</u>	<u>311,923</u>
	1995	1994
<u>Buildings Under Construction</u>		
Balance beginning of year	89,490	—
Acquisitions during year	53,300	76,400
Development and construction costs	124,146	13,090
Capitalized administrative expenses	1,704	—
Capitalized financing interest	8,859	—
Balance end of year	<u>277,499</u>	<u>89,490</u>

FINANCIAL NOTES

	1995	1994
<u>Properties under Development and for Sale</u>		
Balance beginning of year	480,023	440,096
Acquisitions during year	722	24,299
Direct development and construction costs	13,989	8,119
Capitalization of:		
Financing interest	27,709	27,769
General and administrative expenses	329	502
Net interim property rents and expenses	(6,592)	(4,619)
Cost of properties sold	(20,171)	(16,143)
Provision for loss in value	<u>(80,000)</u>	<u>=</u>
Balance end of year	<u>416,009</u>	<u>480,023</u>

(b) Financing Arrangements with the Province of Ontario

To finance the acquisition of the properties referred to in Note 4(a) the Corporation arranged financing from the Ontario Financing Authority of \$250,100,000 on March 31, 1995 and \$252,000,000 on March 30, 1994. In addition during the year ended March 31, 1995 loans totalling \$120,476,000 were arranged to finance properties under construction. During the year ended March 31, 1994 interim financing of \$85,400,000 was arranged to finance the acquisition and construction of properties under construction.

Summaries of these financing arrangements are:

Completed buildings subject to the head lease

- Payable to OFA:

<u>Rate</u>	<u>Maturity</u>	<u>1995</u>	<u>1994</u>
7.98% to 9.08%	March 01, 2019	229,570	233,782
8.95%	March 31, 2000	29,100	—
9.35%	March 31, 2005	151,300	—
9.5%	March 31, 2020	69,700	—

FINANCIAL NOTES

Properties under construction

- Temporary financing — OFA:

8.48%	March 31, 1999	<u>205,876</u>	<u>85,400</u>
		<u>685,546</u>	<u>319,182</u>

Properties under Development and for Sale:

- Payable to the Minister of Finance:

7.46%	March 25, 1995	—	70,322
7.89%	March 25, 1996*	100,000	100,000
7.99%	March 25, 1997*	100,000	100,000
8.08%	March 25, 1998*	<u>75,000</u>	<u>75,000</u>
		<u>275,000</u>	<u>345,322</u>

- Payable to OFA:

9.01%	March 29, 1996*	20,000	—
9.33%	March 31, 1997*	34,000	—
9.46%	March 31, 1998*	10,000	—
7.98% to 9.08%	March 01, 2019	<u>17,811</u>	<u>18,218</u>
		<u>356,811</u>	<u>363,540</u>

*The maturity dates are open to renewal at ORC's option.

FINANCIAL NOTES

Principal repayments of the above debt which are subject to ORC's right to extend the loans, are due as follows:

	Properties Under Development and for Sale	Completed Buildings	Properties Under Construction
Year ending March 31/96	120,229	5,673	—
Year ending March 31/97	134,250	6,201	—
Year ending March 31/98	85,273	6,778	—
Year ending March 31/99	298	7,408	205,876
Year ending March 31/2000	325	35,181	—
Subsequent to March 31/2000	<u>16,436</u>	<u>418,429</u>	<u>—</u>
	<u>356,811</u>	<u>479,670</u>	<u>205,876</u>

Permanent financing of the Properties under Construction will be arranged upon substantial completion and before the maturity date of March 31, 1999.

(c) Contributions from the Province of Ontario

During the year ended March 31, 1995 the Province contributed \$136,658,000 to finance the acquisition of income properties and a property under construction (1994 — \$84,112,000) and \$21,993,000 to fund the development and administrative costs for properties under development and for sale:

	1995	1994
Balance beginning of year	196,941	90,152
For acquisition of properties	136,658	84,112
For property development & construction	<u>21,993</u>	<u>22,677</u>
Balance end of year	<u>355,592</u>	<u>196,941</u>

FINANCIAL NOTES

(d) Interest Expense

	1995	1994
Interest incurred on financing arrangements		
with the Province of Ontario	56,713	27,695
Interest capitalized	(36,568)	(27,567)
Interest earned	<u>(653)</u>	<u>(185)</u>
	<u>19,492</u>	<u>(57)</u>

(e) Property Taxes and Grants

Grants in lieu of property taxes have been paid on ORC's properties by the Ministry of Municipal Affairs. ORC has not been charged for these taxes and has not recorded them. If the grants had been charged they would have been recovered pursuant to the head lease with MBS.

(f) Administrative Expenses

Included in administrative expenses are corporate services received from the Management Board Secretariat (MBS) and the Ministry of Housing on a cost recovery basis.

Beginning on February 1, 1995, the Corporation incurred administrative and operational costs on facilities managed for MBS. These amounts were reimbursed by MBS and therefore have been netted against total administrative expenses.

The net amounts of administrative and other expenses are:

	1995	1994
The Management Board Secretariat	4,470	2,318
The Ministry of Housing	272	141
Other	<u>58</u>	<u>18</u>
	<u>4,800</u>	<u>2,477</u>

(g) Pension Plan

Employees were formally transferred from MBS to the Corporation on February 1, 1995.

The Corporation provides pension benefits for all its full-time employees through participation in the Public Service Pension Fund (PSPF) and the Ontario Public Service

FINANCIAL NOTES

Employees' Pension Fund (OPSEU Pension Fund) established by the Province of Ontario.

The Ontario Public Service Employees' Union Pension Act provides for a reduction of the employers' contributions to the PSPF and the OPSEU Pension Fund. This reduction covers each of the three fiscal years ending 1995-1997.

The Corporation's contributions related to the pension plans for the two months ended March 31, 1995 were \$657,000 and are included in the Corporation's financial statements.

5. PARTNERSHIP

Included in the properties 'Under development and for sale' are a number of properties on which the Corporation has acquired a partnership interest.

The partnership is with Canada Mortgage and Housing Corporation (CMHC) and represents a joint undertaking between ORC and CMHC for management, development and sale of the partnership lands. Revenues and expenditures are shared by the partners with ORC's share being twenty five per cent. The ORC is the 'Responsible Partner' for managing, developing, marketing and administering the partnership lands, and recovers 75% of the administration fees that are allocated to the partnership projects.

The following represent ORC's interest in the partnership and are reflected in the appropriate captions in the financial statements:

	1995	1994
Properties under development and for sale	3,193	4,731
Mortgages receivable	408	248
Sales	334	292

FINANCIAL NOTES

6. MORTGAGES RECEIVABLE

Mortgages receivable comprise principal amounts outstanding plus accrued interest.

	1995	1994
Gross mortgages receivable	19,543	14,119
Deduct: CMHC Partnership interest	<u>1,393</u>	<u>745</u>
	18,150	13,374
Provision for doubtful accounts	<u>179</u>	<u>134</u>
	<u>17,971</u>	<u>13,240</u>

7. PAYABLES AND OTHER LIABILITIES

	1995	1994
Accrued payables on		
properties under construction	20,281	7,162
Due to Management Board Secretariat	1,444	68
Accrued interest	2,400	677
Other accounts payable	<u>60</u>	<u>119</u>
	<u>24,185</u>	<u>8,026</u>

8. DEFERRED LIABILITIES

	1995	1994
Accrued liabilities for future development costs	2,127	2,851
Municipal levies prepaid by		
Management Board Secretariat	<u>100</u>	<u>100</u>
	<u>2,227</u>	<u>2,951</u>

Accrued liabilities for future development costs represent ORC's obligations for development expenditures on land already sold.

9. PROVISION FOR LOSS IN VALUE OF PROPERTIES UNDER DEVELOPMENT AND FOR SALE

As a result of a review of the individual projects, a provision of \$80,000,000 was made to recognize potential writedown of properties to net realizable value. No similar provision was made in 1994.

10. COMMITMENTS AND CONTINGENT LIABILITIES

Estimated costs to complete incoming producing properties under construction at March 31, 1995 amount to approximately \$351,000,000.

11. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with the current year's presentation.

CORPORATE INFORMATION

THE BOARD OF DIRECTORS

MEMBERS

Donald King, Mississauga
Vic Augustine, Toronto
Carlton Braithwaite, Gloucester (joined
Board Dec. 7, 1994)
Timothy Casey, Toronto
Kevin J. Garland, Toronto (joined Board
Dec. 7, 1994)

Ken Holder, Willowdale
(joined Board Jan. 13, 1995)
Jean Lam, Toronto
Michael Morgan, Toronto
Doris Schwar, Sudbury
Lucy Stocco, Toronto
Richard Tyssen, Toronto

EXECUTIVE COMMITTEE

Donald King
Timothy Casey
Kevin J. Garland

Ken Holder
Lucy Stocco

FINANCE AND AUDIT COMMITTEE

Donald King
Vic Augustine
Carlton Braithwaite
Doris Schwar

DEVELOPMENT AND OPERATIONS COMMITTEE

Kevin J. Garland
Ken Holder
Jean Lam
Michael Morgan
Lucy Stocco
Richard Tyssen

OFFICERS

Chair

Dónald King

Chief Executive Officer

Timothy Casey

Treasurer

Ralph Grant

Corporate Secretary

Robert Radford

ONTARIO REALTY CORPORATION

Ontario Realty Corporation

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 Ontario



Ontario Realty Corporation

ANNUAL REPORT

APRIL 1, 1995

To

MARCH 31, 1996

Cover Photo: George Drew Complex, Toronto.

This report also contains photographs of other Ontario government buildings served by Ontario Realty Corporation.

ABOUT THE ONTARIO REALTY CORPORATION

The Ontario Realty Corporation (ORC) is a Crown agency operating under the Capital Investment Plan Act, 1993, and responsible to the Chair of Management Board of Cabinet.

ORC was established to operate as a commercial enterprise with the legislated objective to provide the Government of Ontario, its programs and other clients with services and financing and improvements related to real property.

The Corporation's mandate is to acquire, develop, market, finance and manage real property to support the programs of the Government of Ontario and the broader public sector.

ONTARIO REALTY CORPORATION ANNUAL REPORT

APRIL 1, 1995 TO MARCH 31, 1996

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Cette publication est disponible en français.

MESSAGE FROM THE CHAIR

The 1995/96 fiscal year was marked by a number of significant changes in the Ontario Realty Corporation's operating environment. These changes required a redirection of activities and priorities to more effectively support clients and the Ontario government's policy and fiscal agenda.

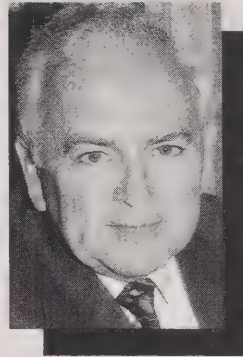
The government adopted various recommendations of the Ontario Financial Review Commission, significantly altering the ORC's financial and operating position.

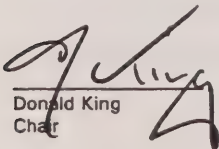
Effective December 1, 1995, the government: eliminated loans-based financing and the debt associated with our income producing properties; replaced all future capital construction financing with grants; and forgave some debts on properties with development potential to reflect current market conditions. Leases on our income properties were also changed, requiring us to assume increased operational responsibility for assets including vacancy risks and capital repairs. This led to a \$187-million reduction in value for our income properties. In addition, weak market conditions prompted a re-evaluation of the Corporation's lands held for sale, resulting in a \$73-million reduction in value, charged against operations during the year.

Addressing the province's fiscal situation, the government began an ambitious restructuring agenda to achieve a smaller and more cost effective Ontario Public Service. ORC responded by establishing the Accommodation Program Review. Its purpose includes reducing the amount of space occupied by government programs and increasing use and operating efficiencies in retained accommodation, for overall cost savings.

There were noteworthy milestones for the ORC during the fiscal year. For example, buildings associated with the Ontario Government Relocation Program were completed on time and below budget, and the accelerated land sales initiative raised \$41.6 million. Significant progress was also made in the Cornell project in preparation for marketing and there were significant operational savings.

As we move forward in 1996/97, we face several operating challenges. Among them will be our ability to balance accommodation needs with the achievement of accommodation savings targets. Our success will require the collective effort of staff and the ongoing co-operation of our stakeholders. We look forward to the challenges.




Donald King
Chair

YEAR IN REVIEW: 1995/96 HIGHLIGHTS

ORC's results for 1995/96 were shaped by the same factors that had an impact on the real estate industry in previous years – slow growth in the overall economy, and cautious real estate markets in an uncertain environment.

Reduced interest rates provided some room for improvement in the housing sector, and land sales took a corresponding jump in volume. On lands held for longer-term development, the ORC had to once again adjust the value of its holdings to reflect fairly the current value of its portfolio.

In October 1995, the Ontario Government eliminated loans-based financing for capital Crown corporations. Government loans to ORC for purchasing and constructing government buildings were forgiven, effective December 1, 1995. *These changes are shown in the Financial Statements.*

Corporate activities in 1995/96 focused on organizational and operational framework issues. Operations and services were improved, providing more valuable services to clients.

The following are highlights of these activities:

- The ORC moved closer to a system where users pay for accommodation through the development of procedures and tools by Business and Service Centre Trials.
- The ORC's financial reporting shifted focus to carry out recommendations of the Ontario Financial Review Commission.
- Government contract opportunities were made more accessible by advertising electronically on a construction association bulletin board.
- In partnership with the National Research Council, ORC researched and resolved the problem of ice build-up on the vertical stainless steel cladding of Northern Ontario buildings.
- Work continued toward the marketing phase of the Cornell Development Project, an innovative community of housing and infrastructure designed by internationally renowned architects and town planners.

YEAR IN REVIEW: 1995/96 HIGHLIGHTS

- New standards for space, furniture reuse, and operation and maintenance were adopted under the new Accommodation Program Review (APR). The program supports the government's objective of reducing space by six million rentable square feet to save roughly \$80 million over two years.
- ORC began moving away from capital investment and the land development business by accelerating land sales. In 1995/96, the ORC generated \$41.6 million from land sales.
- The Green Workplace Program worked on lighting retrofits, recycling, composting, soil clean-up and car-pooling projects with the broader public sector. These activities reduced waste, achieved savings and contributed to a cleaner environment.
- Demonstrating leadership in building technology, ORC hosted the annual design services seminar for more than 200 professionals in a wide range of disciplines. It focused on environmentally conscious design and construction, customer service and information technology advancements.



CORPORATE OVERVIEW

HISTORY

In February 1993, the Government of Ontario announced the creation of new capital Crown corporations to boost investment in key areas of infrastructure, including government real estate.

The ORC was established in two phases. The first involved reactivating the Ontario Land Corporation (OLC) and assuming its mandate of land development and marketing real estate assets.

On November 15, 1993, with Royal Assent of the *Capital Investment Plan Act, 1993*, the *Ontario Land Corporation Act* was repealed and the OLC became the Ontario Realty Corporation. As part of the second phase, the Corporation's legislative mandate was expanded to assume the broader role of financing, holding and managing land and buildings related to government accommodation. This includes responsibility for providing professional realty, accommodation, land development and property management

services on behalf of the Government of Ontario.

STRUCTURE

The ORC is governed by a board of directors drawn from the private and public sectors and appointed by the government. The Board is responsible to the Chair of Management Board for fulfilling its mandate, subject to strategic direction from the government. The chief executive officer of ORC reports to the board of directors and is a member of the Management Board Secretariat's senior management team. The ORC files annual reports with the Chair of Management Board.

The Corporation is comprised of two operational divisions and a central support branch:

- Property Management;
- Property Development; and
- Business Development Branch.

The organization is decentralized, with a network of operating locations and 1,130 positions across the province. The ORC draws most support services (finances, human resources, legal, communications, audit and information technology) from Management Board Secretariat (MBS) on a service purchase basis.

PRINCIPAL BUSINESSES AND ACTIVITIES

The ORC is a decentralized, internal service agency, which provides a full range of real estate services to support government programs. The ORC is responsible for managing approximately 47 million rentable square feet of space, including about 11 million rentable square feet of space leased from third parties. ORC also has responsibility for managing and marketing roughly 60,000 acres of land.

The Corporation delivers these services through four principal businesses, described as follows.



Whitney Block, Queen's Park, Toronto.

Strategic and Portfolio Management

Activities include developing portfolio management strategies, financial and investment analysis, corporate reporting and planning, and operational policy development. Collectively, these services

assist the ORC by providing direction for its operations and corporate strategic advice to the Government of Ontario about its surplus real estate holdings.

Property Management

This division provides activities and services supporting owned, managed and/or leased facilities required to meet the government's accommodation needs. Property Management services also include:

- operation, maintenance and repair of facilities;
- leasing, project management and contract administration; and
- asset management and portfolio planning.

Property Development

This division provides technical services and activities required for property development projects on behalf of the Corporation and its clients. Property Development services also include:

- programming, architecture, engineering, interior design and research;
- real estate appraisal, acquisition and sales, interim land management, and environmental advisory services for realty activities; and
- project management and contract administration.

Land Marketing

This consists of activities and projects required to market surplus government real estate assets.

RESULTS 1995/96

OPERATING ENVIRONMENT

The ORC is a Crown agency and conducts its business according to public policies and principles. During the past year, there have been significant changes to the Corporation's operating environment. For example:

- The Ontario government embarked on an ambitious restructuring agenda in response to the Provincial fiscal situation. As the government moves toward smaller and more affordable operations, the ORC is faced with a reduced need for accommodation by clients and demands to operate remaining facilities more effectively.
- Loans-based financing and debt associated with income producing properties were eliminated on December 1, 1995.
- Leases on certain properties were changed, requiring ORC to take more responsibility for its assets, including vacancy risks and capital repairs.

The ORC must comply with the same legislation and regulations that apply to real estate organizations in the private sector. However, it must also comply with Provincial programs, policies and legislation, affecting its development and management activities. These include:

- Provincial, regional and industrial growth strategies and planning priorities;
- Government program needs and priorities;
- Environmental Assessment Act requirements (class review) and the preservation protocol for heritage properties;
- the Ontario Government Relocation Program;

- the government's annual planning and funding process;
- Capital Investment Act, 1993; and
- Public Service Act and collective bargaining agreements, as amended.

In addition, the ORC faces the same global economic factors as all public and private organizations related to the real estate industry.

Following are some factors that shaped the Corporation's results for 1995/96:

- Overall improvements in the real estate markets remain modest at best.
- Property development is limited in the commercial sector, and continues to offer a "buyer's market" environment.

This outlook has resulted in a trend of property development firms converting operations to property management companies.

The development industry, currently benefiting from relatively low interest rates, may be further bolstered by the government's announcement in the spring 1996 budget to promote job creation measures, reduce income tax rates and provide a refund of land transfer tax for first-time new home buyers.

ACTIVITIES AND RESULTS

Corporate activities in 1995/96 focused on achieving ORC's strategic goals and objectives. The main area of focus included work on organizational and corporate issues, and improving the way the ORC operates and serves its clients. Changes in the operating environment forced an examination of ORC priorities and objectives.

The ORC made significant progress in a number of areas, outlined here.

Charging for Accommodation

Throughout 1995/96, ORC moved toward the implementation of chargeback. An implementation Advisory Committee (IAC) helped the ORC develop a system to establish the cost per square foot of space, occupied by client ministries and work groups, to assist in better utilization and accountability. This committee consisted primarily of chief administrative officers from various ministries. The IAC was supported by three working groups: the Roles and Responsibilities Subcommittee, the Chargeback Subcommittee and the Accommodation Efficiencies Subcommittee. Other working groups, such as the Accommodation Directors' Council and the Financial Officers' Council, were used for information-gathering and feedback.

In April and May 1995, the three subcommittees were assigned various tasks stemming from the critical strategic issues identified by ministries, central agencies and the ORC. The IAC and its subcommittees completed the bulk of this work in October 1995, resulting in an agreement to implement chargeback. However, increasing government constraints and shrinking time-frames forced a re-examination of how accommodation service could be delivered in the short-term. Work will continue on the charging for accommodation system, to be implemented by April 1, 1997.

Accommodation Program Review

The Accommodation Program Review (APR) was established as a framework for reducing and consolidating the Ontario Government's accommodation portfolio. Demand for space is expected to decrease as the Ontario Public Service and its programs downsize. APR gives ORC the ability to control accommodation costs and secure client ministries' compliance. As co-ordinator, the APR project office reports on developing and implementing the program.

The ORC developed tools to help ministries and staff implement APR. These include space rationalization principles, furniture reuse guidelines and reduced operation and maintenance standards. These tools are helping ministries get the best value in response to ongoing

constraints. Ten APR projects were approved, and the list grows as ministries announce their business plans. Facility managers identify APR projects, using consultation, networking and a business case approach.

Business Centre Trials

The Business Centre Trials (BCT) project was initiated as a key element in the ORC's plan to reduce costs and operate more efficiently according to the government's priorities. The BCT developed more streamlined, automated and effective business processes and tools through the following activities:

- The BCTs identified and mapped business processes critical to property management operations.
- A prototype office was set up as a controlled environment to test and verify the processes and supporting systems before province-wide implementation.



Ministry of Correctional Services head office building, North Bay.

- This project team completed procedures and systems manuals, job aids, systems applications and problem-solving.
- On a pilot basis, seven facilities management units received training in this process, related systems and a field testing method.

Service Centre Trials

The Service Centre Trials (SCT) project's aim was to plan for implementing fees for accommodation-related project services. The project included pricing, accounting for costs, charges and revenues, contracting for services and, finally, performance measures. Initially, each service centre developed a service pricing model to reflect the private sector marketplace. New corporate accounting requirements to support chargeback were then identified, and potential solutions examined.

As a major transition activity, the SCT project helped increase awareness and understanding of how the ORC can operate as a business, and provided some ways to achieve this. By costing and charging for project services, both the users and providers of these services will be more accountable in seeking value for their money. Also, service providers will be more accountable for meeting customer needs.

Business Development Initiatives

Through the Business Development Branch, the ORC made further progress developing strategic directions, operational priorities and a planning framework, as well as performance measures within a corporate planning framework. This initiative enables ORC to focus on core business areas and achieve common corporate goals. A new business case format and portfolio evaluation system were developed to help facility managers manage assets and make investment decisions.

The Property Information Management System (PIMS) was verified for accuracy of building space and allocation data. Also, criteria was established for updating data to support asset management and prepare for chargeback.

Disposal of Surplus Properties

More than 200 properties were reviewed through the Realty Allocation Review Process in their preparation to be declared surplus to the needs of the government.

Information Technology

Property Management Division initiated a data improvement project to help facility managers effectively oversee buildings and prepare for charging for accommodation. This undertaking increased the quality, relevance and accessibility of information on the characteristics and costs of buildings.

Pilot for Electronic Tendering in Construction

This is an excellent example of how ORC's needs can be met through public and private-sector partnerships. Working with the Ontario Clean Water Agency, the Ministry of Transportation, several construction associations and various interested private-sector companies, ORC began electronically advertising its large construction tenders using a construction association bulletin board. ORC led the implementation of this pilot project. Simplified documents are being developed for the three government organizations to use for distributing bids electronically.

Government Energy Management Program

The Government Energy Management (GEM) program aims to implement energy-saving retrofits in government-owned and operated facilities as part of its commitment to reduce overall energy consumption by 20 per cent by the year 2000. The program also supports the government's commitment of reducing its carbon dioxide emissions to 1991 levels by the year 2000.

In August 1995, the Green Workplace (GW) received the program responsibility for GEM and restructured it to be more relevant to ORC. Where in the past GEM would dictate services and solutions, it now provides services more tailored to the facility/building manager. With the upfront input of on-site ORC staff and tenants, a service package is put together to meet the needs of the particular building and its tenants. For example, it could be as simple as testing new lighting levels to evaluate the cost savings and response from tenants to an overall retrofit of the building's systems, including water and waste.

To tie all this together, the Green Workplace uses the FASER software, which tracks utility consumption and monitors savings. GW is upgrading the FASER software to an on-line network version that will make accessing the program and inputting data more convenient for field staff. This upgrade will also provide additional tools to help facility/building managers direct the Corporation's assets more cost-effectively. Guidelines on avoiding costs, measuring use, comparing results, building system troubleshooting, and roll-up reporting are all available with the new system. It will be available during the summer of 1996.

The Green Workplace Program

The mandate of the Green Workplace program is to "hasten the greening of the Ontario Public Service while showcasing a green workplace in action". It works closely with ORC facility managers to implement greening programs that demonstrate the economic feasibility of following the principles of sustainable development. The Green Workplace program had a number of accomplishments in 1995/96 that included:

Waste Management

- Diverted approximately 13,500 tonnes of office waste from landfill.
- Saved \$135,000 in waste disposal costs.
- Earned approximately \$810,000 on recycled materials.

Accelerated Waste Reduction Program

- Increased number of buildings using Maximum Green Program to 34 buildings, with more than 15,000 staff on the program.

Recycling

- Renegotiate existing recycling contracts with a savings of \$60,000 per year in Northern Ontario.

Conferences

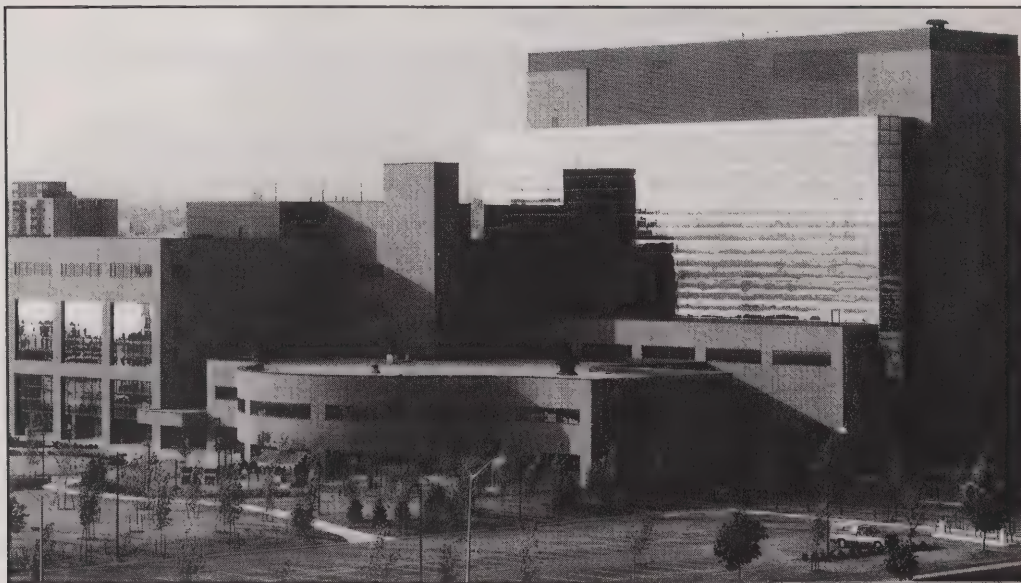
- Co-sponsored Green Building Information Council Conference.

Water Conservation

- Officially opened Solar Aquatics Systems, (engineered by Proctor and Redfern, co-sponsored by Green Workplace) at Ontario Science Centre.

Energy Management

- Initiated lighting retrofit programs in 10 buildings resulting in \$1.3 million cost savings over the next three years.



Roberta Bondar Place, Sault Ste. Marie.

Environmental Services and Projects

- The successful completion of the clean-up of radium-contaminated soil in the residential subdivision of Malvern in Scarborough.
- Managed PCB destruction program of approximately 50,000 ballasts in 12 sites in the GTA.
- As part of the Class Environmental Assessment provided:
 - instituted an audit of adherence to the Class EA.
 - published "Tank Tips" checklist guide for staff on petroleum storage.
- Provided advisory and technical assistance on a number of contaminated sites and heritage issues.

Research, Development and Standards

Working as partners with the National Research Council (NRC), technical staff of the Design Services Branch investigated the problem of ice build-up on the face of vertical stainless steel cladding on buildings in Northern Ontario. An innovative solution resulted from extensive research.

Many older buildings with masonry walls were deteriorating due to air and water penetration breaking up the brick face. The problem was researched by staff, and the results have been used to solve similar problems at various locations. A set of "Guidelines for Masonry Repair" was developed and published. The NRC has reviewed the guidelines and expressed interest in working with our staff to continue researching in this area. Staff continues to conduct research as new products are introduced to the market. A system using exterior insulation was adopted on several energy efficient projects. Examples of such projects are Cedar Springs and Bluewater Detention Centre. Research was also conducted using recycled paints and hardened steel for use in OPP stations and detention centres.

Staff of the ORC also worked closely with the Canadian General Standards Board and the Canadian Standards Association to develop and provide input for several new national standards in furniture and furnishings, the environment and building codes.

Design Services Branch Seminar

The branch provides a complete range of professional architectural and engineering services and conducts applied building technology research to support design and construction, repair, retrofit, operation and maintenance of facilities and building code development.

To fulfill its responsibilities as a leader in building technology, the ORC delivered a two-day technical seminar in October 1995, in the Queen's Park Complex. The audience included professional architects, engineers, facility managers and staff from other Ontario Government ministries. The seminar focused on environmentally conscious design and construction, building and facility management customer service, information technology and building case studies. The more than 200 registrants were from a wide range of disciplines.

ORC Land Development and Marketing Activities

The projected book value of ORC properties held for development and sale as of March 31, 1996, was \$373.0 million. New properties were purchased in 1995/96 at a cost of \$1.09 million to complete the planning and development of the Cornell Development Project, and the Niagara Falls Ontario Government Building at a cost of \$21.9 million.

ORC properties for development and/or sale generally fall into two categories.

Properties for Development and/or Sale

These properties are in various stages of the development, planning or marketing process. They vary from agricultural zoning to fully serviced residential or commercial use. Properties are being actively prepared for marketing. This active component includes \$122.8 million in lands under development and sale and \$135.1 million in properties under direct marketing programs.

Land Held for Future Development and Sale

Approximately \$115 million of the ORC's portfolio consists of "non-contributing properties" in the near term. These properties have potential for value appreciation because of their proximity to existing urban development. They consist of \$32 million in lands held for future commercial development and program use and approximately \$83 million in Parkway Belt lands.

During the year, the ORC worked on developing and marketing a number of properties, which included the following sample:

<u>Location</u>	<u>Development Type</u>	<u>1995/96 Investment</u>
Cornell	Residential/Industrial	\$3,817,000
Kitchener Stage 6	Residential	\$1,065,000
North York Falstaff	Residential	\$513,000
Stoney Creek - Highland St. 1	Residential	\$447,000
Windsor Devonshire, St 2 PH 1	Residential	\$542,000

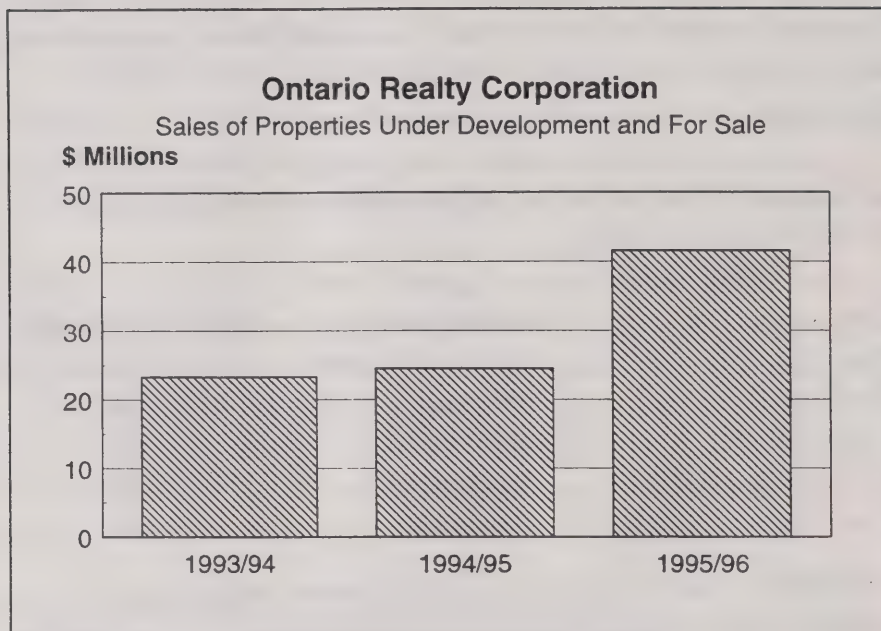
ORC invested approximately \$15.1 million in direct development costs and general administration expenses during the fiscal year in properties for sale.

The Corporation has made considerable progress in improving its land development and marketing program. The operating expense ratio has been reduced to 72.3 per cent in the 1995/96 fiscal year from 82.4 per cent in 1994/95. Similarly, the return on invested capital has improved to 10.3 per cent from 5.6 per cent over the same timeframe.

The ORC planned \$37.8 million in land sales for 1995/96. Depressed market conditions for real estate investments produced mixed results and delayed the marketing and sale of numerous major holdings. However, the ORC generated \$41.6 million from land sales in 1995/96, compared to \$24.5 million in 1994/95. *Appendix A lists the properties sold in 1995/96.*

Chart 1 outlines ORC's last three years of land sales.

Chart 1: ORC Land Sales

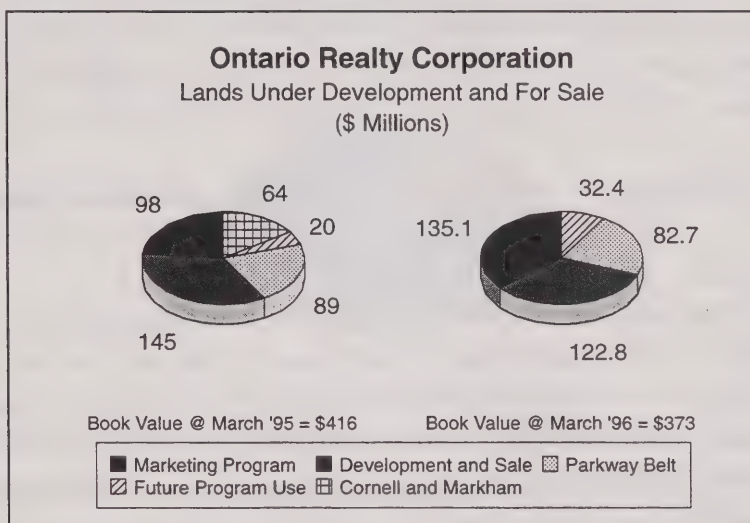


In December 1995, the government announced the cancellation of the Housing Priority Policy. At the same time, it moved to sell government land banks and accelerate the marketing of surplus lands rather than directly developing the properties. ORC reviewed its holdings, as well as major Management Board Secretariat lands and identified several that could be sold over the next four years. For example, marketing has started for the Cornell lands (approximately 1,275 acres owned by ORC) in Markham, currently representing one of the largest approved residential developments in Ontario. A tenant purchase program was developed to dispose of 7,700 acres of agricultural land in Markham and Pickering owned by MBS.

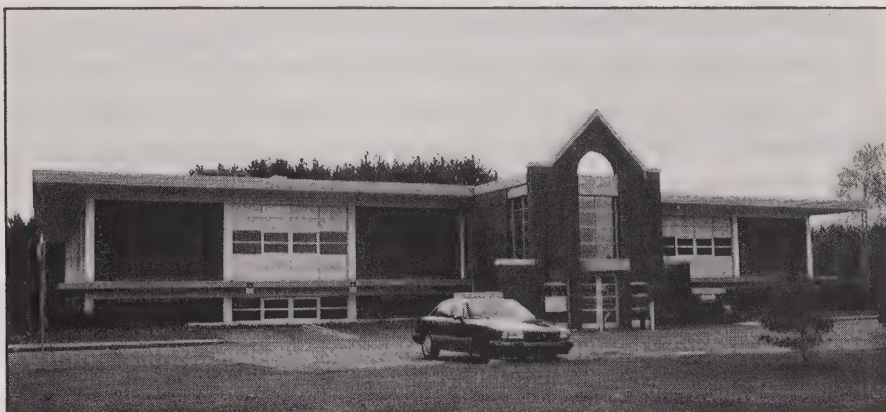
RESULTS 1995/96

Chart 2 compares the March 31, 1994, property book value and asset mix to March 31, 1995, and the impact of the accelerated land sales program on the inventory.

Chart 2: Properties Under Development and For Sale



An estimated \$200 million additional four-year cash flow is the combined result of accelerated sales of ORC properties (including Cornell) and new sales of MBS properties. The accelerated plan for disposition of ORC lands brings forward 30 per cent more properties than reflected in the ORC approved marketing plan of 1995/96.



Ontario Government Building, Simcoe.

ORC Income Properties and Development Projects

During the year, the ORC did not acquire any additional properties from the Province of Ontario. As of March 31, 1996, the ORC owns approximately 8.8 million rentable square feet of government buildings (includes transfer of Orillia OPP head office on August 1, 1995, from properties under construction), with a value of \$554.8 million. These income buildings include office space, courthouses, OPP detachments and registry offices.

In 1995/96, the ORC spent \$71.2 million in operating costs and capital repairs to maintain its assets.

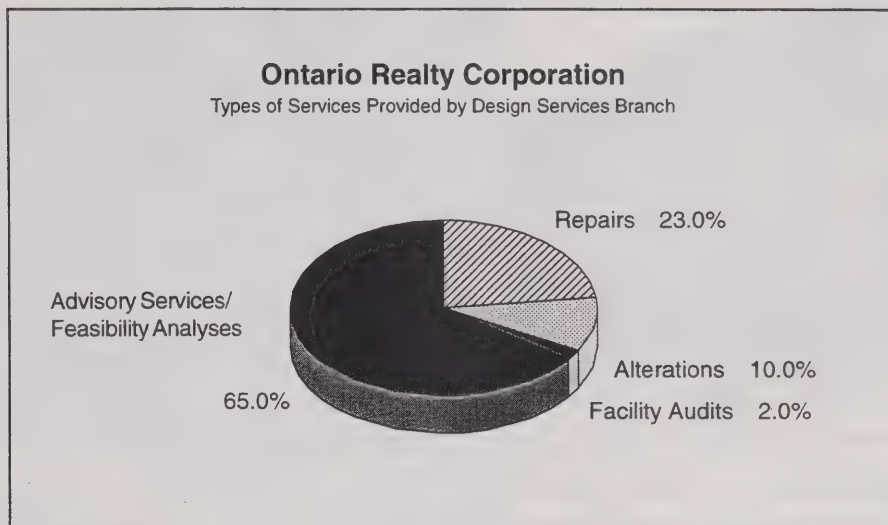
During the 1995/96 fiscal year, ORC had eight new income-producing properties in various stages of design, construction and completion. As of March 31, 1996, two of the buildings were completed (Orillia, OPP head office and Niagara Falls office). In 1995/96, excluding the cost of financing, ORC spent \$131.8 million in developing these properties. To date the ORC has invested \$300.8 million in developing new income properties. *Appendix B outlines the status of each of the new income properties.*

ORC Project Service Activities on Behalf of MBS and Other Ministries

Annually, the ORC provides property development (planning, design and construction) and realty services to various government clients. The scope of the work was varied and included simple accommodation alterations, space consolidations, repairs, heating, ventilation and air conditioning upgrades, water and sewage studies and detailed facility audits.

The majority of the ORC's design work is contracted out, although a number of the projects are designed in-house. In 1995/96 the Design Services Branch worked on over 300 requests, including 97 ongoing projects carried over from 1994/95. *The type of services provided by the Design Services Branch are outlined in Chart 3.*

Chart 3: Types of Design Services



In 1995/96 the Property Management Division (PMD) and Property Development Division (PDD), worked on more than 180 capital-type projects on behalf of MBS, client ministries and the broader public sector. The fiscal year saw expenditures recorded as follows:

- \$25.4 million in alterations projects improved the effectiveness and/or efficiency of existing accommodation.
- \$9.9 million in capital construction added value to the provincial inventory of buildings and created jobs in local markets.
- \$500,000 in Accommodation Project Review Program, which promoted consolidation and improved space efficiencies.
- \$6.7 million in land acquisition and development.
- \$4.1 million in sales across the Province in support of programs delivered by various ministries.
- \$35.4 million in land acquisition on behalf of Management Board Secretariat and Ministry of Transportation.



New Whitby Mental Health Centre, above, and Ministry of Transportation head office building, St. Catharines.



Properties Managed on Behalf of Management Board Secretariat (MBS)

The ORC managed government-owned properties and those leased from the private sector by MBS. Annually, this represents a substantial portion of ORC's business as a property manager and service provider. In 1995/96 ORC managed approximately 24.0 million rentable square feet of government-owned space. In addition, ORC administered approximately 11 million rentable square feet of space, under approximately 1,430 separate lease agreements, on behalf of MBS to accommodate government programs in buildings owned by the private sector. MBS's inventory includes Parkway Belt lands, office buildings, residential units, institutions, correctional facilities, courthouses, fish hatcheries, highway and forestry complexes.

RESULTS 1995/96

In 1995/96, the ORC property management services expenditures were as follows:

- \$104 million in minor repairs, operation and maintenance services; and
- \$45.8 million in capital repairs to maintain the assets.

Lease program expenditures and project activities were as follows:

- annual rental payments of \$209.8 million; and
- 133 lease renewals completed and 39 new lease projects undertaken.

Property management activities included a number of development initiatives, such as:

- The continued development of multi-year asset management plans for key facilities that maintain core assets and improve customer service. A key example was the elevator refurbishment project with computerized control systems, enhanced cab interiors and added barrier-free upgrades. Work began in Greater Toronto Area buildings due to the age of equipment and high volume of users. However, the intent is to retrofit elevators across the province, using a multi-year approach to minimize service disruptions. The elevator refurbishment achieved both a cost and energy savings and better service for elevator users.
- ORC explored alternative ways of delivering services, such as private-sector partnerships. For the new Ministry of Transportation building in St. Catharines, PMD entered a comprehensive property management service contract with a private-sector company. Under this arrangement, a facility manager became responsible for the total service contract.
- ORC developed processes for backfilling vacated space, buy-outs and sub-leasing. Leasing Services Branch played a key role in enabling ORC to vacate leased accommodation, make better use of government-owned space and reduce costs. The non-renewal of expiring leases was supplemented by sub-letting and buying out long-term leases to achieve significant savings in a period of rapid downsizing and constraint.

Key statistics governing the performance of ORC's property management efforts include:

- operating costs per square foot = \$9.42
- space managed per employee = 60,700 square feet
- vacancy rate = 4.5%

FINANCING

Financial Performance

During 1995/96, the Ontario Realty Corporation (ORC) has seen a continued improvement in operations. Unfortunately, the unstable real estate market has caused further losses in property value affecting the organization's overall profits.

On July 15, 1995, the Ontario Government established the Ontario Financial Review Commission (FRC). This Commission's mandate was to review the financial activities and practices of the government, including its Crown corporations, boards and commissions.

In September 1995, the Corporation was invited to speak to FRC members. It addressed four main areas of interest to the commission:

- That Crown agency activities are properly reflected in the summary financial statements of the province;
- That agencies continue to publish their own financial statements based on appropriate accounting policies;
- That reports published by Crown agencies identify the costs and benefits of the agency activities and the costs associated with agency status; and,
- That the existing accountability framework adequately measures and monitors performance and allows for full public accountability.

RESULTS 1995/96

The commission proposed a number of recommendations relating to ORC. The most significant ones designated the ORC as a “service organization rather than a business enterprise” and that ORC retain “agency status”. This approach alters the way the government reports financially in the public accounts on ORC. The approach allows the ORC to draw on specialized outside expertise in managing the province’s real estate assets, and supports financial reporting consistent with accounting principles relevant to a real estate company. ORC/Management Board Secretariat (MBS) core businesses and operating activities remain unchanged.

Fiscal Constraint

In addressing the Province’s fiscal situation, Management Board Secretariat in consultation with ORC, applied a constraint reducing rental income paid to ORC by \$18.8 million in the 1995/96 fiscal year. This constraint reduced ORC’s potential return on equity and reduced the ORC’s flexibility to fund ongoing expenditures from rental revenues.

Eliminating Debt

In the fall of 1995, the Ontario government eliminated loans-based financing for capital Crown corporations. Effective December 1, 1995, government loans to ORC for the purchase of government buildings and those under construction were converted to equity. The conversion strengthened ORC’s balance sheet, and eliminated possible default of debt repayment for this group of assets.

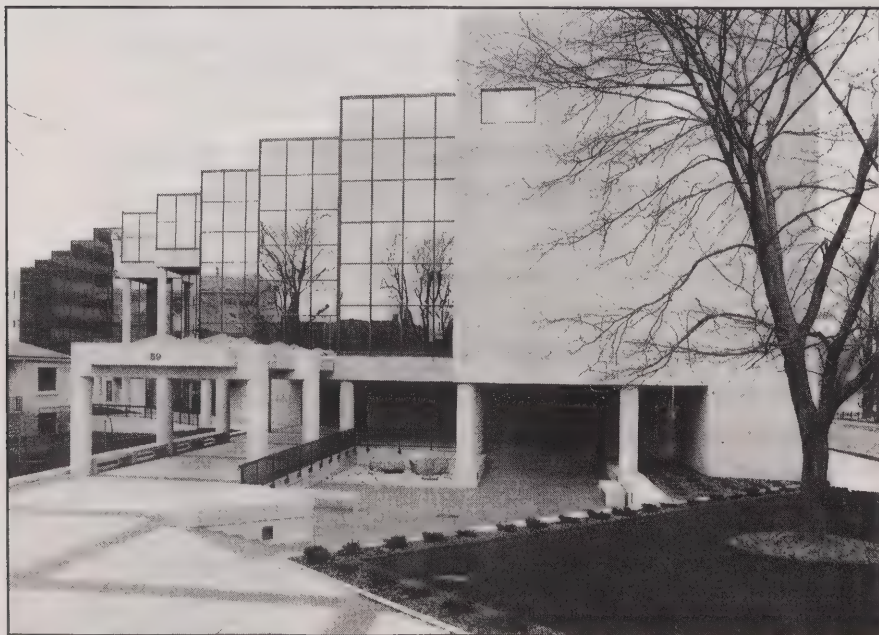
Lease Agreements

With no loans to be repaid, the lease arrangements between ORC and MBS were restructured to include new elements of risk and incentives to perform. The new leases for general purpose office buildings are established on a market basis, with ORC paying all costs out of the rent. For special purpose buildings (courts, jails, laboratories, etc.), leases are on a cost basis, with the government using a pass-through approach to pay operating costs. These new leases remain in effect until a chargeback system is implemented in April 1997. The arrangements are not expected to change significantly under chargeback.

As part of the new lease agreements, ORC assumed responsibility for funding, the Accommodation Program Review, deferred maintenance costs for its buildings, an increased share of corporate administration, and all operation and maintenance costs for ORC buildings. The ORC is also accountable for vacancy risk.

Land Value Debt

In response to poor real estate market conditions, ORC took a write-down of \$73 million on the value of its land portfolio, leaving a book value of \$373 million. In addition, \$211 million of the outstanding loans on surplus lands was converted to equity to reflect prevailing market conditions and eliminate future equity infusions, with an additional \$6.3 million repaid directly. This left the debt balance at \$139.3 million. The change will enable ORC to reduce interest costs, repay the remaining debt from future land sales, absorb administration costs, and lower the carrying costs of long-term holdings. There is also less potential for value write-down in future years.



St. Catharines Courthouse and Registry Office.

OUTLOOK FOR 1996/97

Future Challenges

The government's move toward a smaller, more affordable public service will cause significant changes to the way our stakeholders will operate. Changes to government operations and programs will influence the type and quantity of accommodation required by client ministries. The ORC will be faced with a number of fundamental challenges, including a review of how it does business, that may affect the organization's mandate, mission, values, service level and service mix, budgets, staff, structure and management. The ORC will endeavour to:

- Provide accommodation to support the rationalization of provincial government programs;
- Dispose of surplus real estate assets to reduce operating costs and to generate revenue;
- Balance client ministries' accommodation needs with savings targets;
- Develop and implement a chargeback system that is congruent with government downsizing objectives and corporate priorities;
- Lower service costs by reducing service levels, rationalizing the mix of services provided and delivering services in more cost-effective ways;

- Develop accurate data to make sound business decisions; and
- Rationalize the organization to improve service delivery and reduce expenditures.

The primary goals of ORC are to achieve significant expenditure reductions and maximize revenues from the Province's real estate operations and assets. The scope of the cost reduction activities applies to the ORC and MBS real estate portfolios and includes the financial budgets associated with government-owned and leased facilities, building operating and maintenance expenditures, capital projects and internal operations.

Performance measurement is a critical element in ORC's management reporting framework. Changes in the operating environment has resulted in ORC modifying a number of existing performance measures and indicators. The move toward a more rigorous performance management process in 1996/97 will focus the ORC on several critical measures that support both ORC corporate goals and objectives and government priorities. Many ORC measures will also be incorporated into the published MBS Business Plan. They include Operating Cost Per Square Foot, Space Occupied Per Employee, Space Reduction Under APR, and Sales Volume.

FINANCIAL STATEMENTS

STATEMENT OF MANAGEMENT RESPONSIBILITY

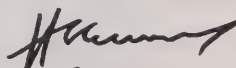
The financial statements in this annual report were prepared by the ORC's treasurer according to the generally accepted accounting principles appropriate for a private-sector real estate company. The accounting policies followed are described in notes to the financial statements.

To ensure the integrity and objectivity of the following financial information, management has established internal control systems to provide reliable accounting records and the security of assets.

The ORC is committed to reporting financial information in a format that meets the government's full disclosure requirements while being readily comparable to conventional financial reporting for real estate companies. The Board of Directors has reviewed and approved the financial statements. The financial statements have been audited by the provincial auditor.



Jean McLeod
Chief Executive Officer



Hewley Chung
Treasurer (Acting)

FINANCIAL STATEMENTS

Office of the
Provincial Auditor
of Ontario



Bureau du
vérificateur provincial
de l'Ontario

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(416) 327-2381 Fax: (416) 327-9862

Auditor's Report

To the Ontario Realty Corporation,
Chair of the Management Board of Cabinet,
and to the Minister of Finance

I have audited the balance sheet of the Ontario Realty Corporation as at March 31, 1996 and the statements of operations, (deficit) retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1996 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Erik Peters, FCA
Provincial Auditor

Toronto, Ontario
November 14, 1996

FINANCIAL STATEMENTS

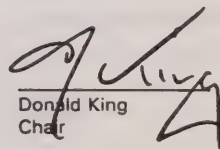
ONTARIO REALTY CORPORATION

BALANCE SHEET

As at March 31 (\$ thousands)	1996	1995
ASSETS		
Cash		1,421
Accounts receivable [note 6]	104,324	2,861
Mortgages receivable [note 7]	26,560	17,971
Properties contributed by the Province of Ontario [note 4(a)]		
Completed properties subject to interim lease	554,787	641,620
Under construction	311,796	287,499
Under development and for sale	372,975	416,009
	1,370,442	1,367,381
LIABILITIES AND CONTRIBUTIONS FROM THE PROVINCE OF ONTARIO		
LIABILITIES		
Bank overdraft	9,868	
Deposits held in trust	1,095	801
Payables and other liabilities [note 8]	71,907	34,185
Deferred liabilities [note 9]	428	2,227
Financing arrangements with the Province of Ontario [note 4(b)]		
Properties under development and for sale	139,300	356,811
Properties under construction and completed buildings		685,546
	222,598	1,079,570
CONTRIBUTIONS FROM THE PROVINCE OF ONTARIO		
Contributions from the Province of Ontario [note 4(c)]	1,465,237	355,592
Deficit	(317,393)	(67,781)
	1,147,844	287,811
	1,370,442	1,367,381

See Notes To Financial Statements

On behalf of the Board:


Donald King
Chair

FINANCIAL STATEMENTS

ONTARIO REALTY CORPORATION

STATEMENT OF OPERATIONS

Year Ended March 31 (\$ thousands)	1996	1995
Rentals from Province of Ontario	118,385	57,245
Operating costs	71,224	26,031
Depreciation	11,305	3,623
Profit from rentals	35,856	27,591
Land sales	41,565	24,486
Cost of sales	30,187	20,171
Profit from land sales	11,378	4,315
Total before administrative expenses, interest expense and provision for loss in value of properties	47,234	31,906
Administrative expenses (net) [note 4(f)]	9,240	4,800
Interest expense (net) [note 4(d)]	27,853	19,492
Profit from operations before provision for loss in value of properties	10,141	7,614
Provision for loss in value of properties [note 10]		
Completed buildings	186,785	
Properties under development and for sale	72,968	80,000
	259,753	80,000
Net loss	(249,612)	(72,386)

STATEMENT OF (DEFICIT) RETAINED EARNINGS

(Deficit)/Retained earnings, beginning of year	(67,781)	4,605
Net loss for the year	(249,612)	(72,386)
Deficit, end of year	(317,393)	(67,781)

See Notes to Financial Statements

FINANCIAL STATEMENTS

ONTARIO REALTY CORPORATION

STATEMENT OF CHANGES IN FINANCIAL POSITION

Year Ended March 31 (\$ thousands)	1996	1995
OPERATING ACTIVITIES		
Net (loss)	(249,612)	(72,386)
Non-cash items		
Depreciation	11,305	3,623
Provision for loss in value of properties	259,753	80,000
Other assets and liabilities, net change	(73,835)	18,716
	(52,389)	29,953
INVESTING ACTIVITIES		
Net increase in properties	(165,488)	(547,315)
FINANCING ACTIVITIES		
Net Contributions from the Province of Ontario	1,109,645	158,651
Financing arrangements with the Province of Ontario	128,432	370,576
Debt repayments to the Province of Ontario	(17,853)	(10,941)
Amounts forgiven by the Province of Ontario	(1,013,636)	
	41,100	(29,029)
CASH POSITION		
Net (decrease)/increase in cash during year	(11,289)	924
Cash at beginning of year	1,421	497
(Bank overdraft)/cash at end of year	(9,868)	1,421

See Notes to Financial Statements

ONTARIO REALTY CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 1996 (Tabular amounts in \$000's)

1. GENERAL

The Corporation is incorporated under the Capital Investment Plan Act 1993 as a Crown Corporation of the Province of Ontario (Province).

In accordance with the Act, the objects of the Ontario Realty Corporation (ORC) are:

- (i) to provide the Government of Ontario, its programs and others, with services and financing related to real property and improvements to real property.
- (ii) to provide any additional objects as directed by the Lieutenant Governor in Council.

The Corporation is exempt from Federal and Provincial income taxes.

On July 2, 1996 Management Board of Cabinet formally approved the conversion of the Ontario Realty Corporation into a publicly-owned service agency of the government. Legislative, scheduling and operational approvals to effect these changes are expected in mid to late 1997.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (a) These financial statements have been prepared in accordance with generally accepted accounting principles appropriate for a real estate company.

- (b) **Properties Acquired from the Province - Carrying Value**

Lands under development and for sale are stated at the lower of cost and net realizable value. Costs include acquisition costs, development costs, capitalized interest and administrative costs, less net interim property rents and expenses.

Completed buildings are carried at the lower of depreciated cost and net recoverable amounts.

Properties under construction are carried at cost. Costs include direct construction and development costs and capitalized interest and administrative costs.

(c) **Revenue Recognition**

Land Sales

Revenue from the sale of land is recognized at the time of sale when all material conditions have been fulfilled and the appropriate cash down payment has been received.

Income Properties

Revenue and earnings from completed buildings are recognized as income on a straight-line basis over the term of the lease.

Revenue and earnings from properties under construction are recognized at the earlier of achieving an occupancy level of 80% or one year after substantial completion.

(d) **Depreciation**

Special purpose structures are depreciated on the straight line basis over the lower of twenty five years and the estimated useful life of the building. Other buildings are depreciated under the sinking fund method over the remaining useful life in a series of annual instalments compounded at the rate of 5% per annum.

3. ECONOMIC DEPENDENCE

The Ontario Realty Corporation is a Crown Corporation of the Province. The Corporation is economically dependent on the Province for a majority of its business. The particulars of this dependence are outlined below.

The Province terminated practices related to loans based financing on or about December 1, 1995. As a result, the loans outstanding were forgiven and the contribution from the Province increased by a corresponding amount.

(a) **Completed Properties Subject to Interim Lease**

During fiscal 1996, the Corporation relied on receiving lease payments from Management Board Secretariat in order to meet its financing and operating requirements.

(b) **Properties Under Construction**

Construction costs subsequent to the termination of loans based financing were and will continue to be funded through additional contributions from the Province.

(c) Properties Under Development and For Sale

Due to the Corporation's inability to generate revenues sufficient to finance its land development activities and service its financing arrangements, the Corporation has relied on contributions from the Province to meet this shortfall in 1994, 1995 and 1996.

- (d) The Related Party Transactions Note (note 4) gives details of these transactions.

4. RELATED PARTY TRANSACTIONS - PROVINCE

(a) Properties contributed by the Province

During the year ended March 31, 1996 the Corporation did not acquire any additional properties from the Province.

The carrying value for income producing properties takes into account the leases between ORC and the Management Board Secretariat (MBS).

The investment in acquired properties is as follows:

	<u>1996</u>	<u>1995</u>
<u>Completed Properties Subject to Interim Lease</u>		
Cost, beginning of year	645,243	311,813
Acquisitions/transfers in	<u>111,257</u>	<u>333,430</u>
Cost, before provision for potential loss in value	756,500	645,243
Provision for potential loss in value	(186,785)	
Accumulated depreciation	<u>(14,928)</u>	<u>(3,623)</u>
Net book value, end of year	<u>554,787</u>	<u>641,620</u>
	<u>1996</u>	<u>1995</u>
<u>Properties Under Construction</u>		
Balance beginning of year	287,499	89,490
Acquisitions/transfers in (out) during year	(133,159)	53,300
Development and construction costs	143,142	134,146
Capitalized administrative expenses	1,120	1,704
Capitalized financing interest	<u>13,194</u>	<u>8,859</u>
Balance end of year	<u>311,796</u>	<u>287,499</u>

FINANCIAL NOTES

	<u>1996</u>	<u>1995</u>
<u>Properties under Development and for Sale</u>		
Balance beginning of year	416,009	480,023
Acquisitions/transfers in during year	24,971	722
Direct development and construction costs	8,714	7,959
Capitalization of:		
Financing interest	25,425	27,709
General and administrative expenses	6,339	6,359
Net interim property rents and expenses	(5,328)	(6,592)
Cost of properties sold	(30,187)	(20,171)
Provision for loss in value	(72,968)	(80,000)
Balance end of year	<u>372,975</u>	<u>416,009</u>

(b) Financing Arrangements with the Province

On or about December 1, 1995 the Province terminated loan-based financing of the Corporation's activities. The Province therefore forgave loans comprising principal and accrued interest as follows:

	Amounts Forgiven	Outstanding Loans March 31, 1995
<u>On Completed properties:</u>		
(Effective December 1, 1995)		
- Payable to OFA		
Principal	475,726	479,670
Accrued Interest	<u>1,607</u>	
Total	<u>477,333</u>	<u>479,670</u>
<u>On Properties under construction:</u>		
(Effective December 1, 1995)		
- Payable to OFA		
Principal	303,877	198,036
Accrued Interest	<u>21,082</u>	<u>7,839</u>
Total	<u>324,959</u>	<u>205,875</u>

FINANCIAL NOTES

On Properties under Development and for Sale:

(Effective December 1, 1995)

- Payable to OFA

Principal	81,879	81,755
Accrued Interest	<u>65</u>	<u>57</u>
Total	<u>81,944</u>	<u>81,812</u>

(Effective March 29, 1996)

- Payable to the Minister of Finance

Principal	<u>129,400</u>	<u>275,000</u>
Total	<u>129,400</u>	<u>275,000</u>

Total

Principal	990,882	1,034,461
Accrued Interest	<u>22,754</u>	<u>7,896</u>
	<u>1,013,636</u>	<u>1,042,357</u>

Outstanding financing arrangements with the Province are as follows:

Properties under Development and for Sale:

- Payable to the Minister of Finance

<u>Tranche</u>	<u>Rate</u>	<u>Maturity date</u>	<u>Amount</u>
C	7.99%	March 25, 1997	64,300
D	8.08%	March 25, 1998	<u>75,000</u>
			<u>139,300</u>

The maturity dates are open to renewal at the Corporation's option.

(c) **Contributions from the Province**

	<u>1996</u>	<u>1995</u>
Balance beginning of year	355,592	196,941
For loan forgiveness (4b)	1,013,636	
For administrative costs	9,164	4,800
For acquisition of properties		136,658
For property dev. & construction	<u>86,845</u>	<u>17,193</u>
	<u>1,465,237</u>	<u>355,592</u>

(d) Interest Expense

	<u>1996</u>	<u>1995</u>
Interest incurred on financing arrangements with the Province	68,408	56,713
Interest capitalized	(38,620)	(36,568)
Interest earned	<u>(1,935)</u>	<u>(653)</u>
	<u>27,853</u>	<u>19,492</u>

(e) Property Taxes and Grants

Grants in lieu of property taxes have been paid on the Corporation's properties by the Ministry of Municipal Affairs. The Corporation has not been charged for these taxes and has not recorded them. If the taxes had been charged they would have been recovered under the lease arrangement with MBS.

(f) Administrative Expenses

Included in administrative expenses are corporate services received from MBS in the amount of \$9,164,000 (1995 - \$4,800,000).

(g) Pension Plan

The Corporation provides pension benefits for all its full-time employees through participation in the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees' Pension Fund (OPSEU Pension Fund) established by the Province.

The Ontario Public Service Employees' Union Pension Act provides for a reduction of the employers' contributions to the PSPF and the OPSEU Pension Fund. This reduction covers each of the three fiscal years ending 1995-1997.

The Corporation's contributions related to the pension plans for the year ended March 31, 1996 were \$913,000 (1995 - \$657,000) and are included in the Corporation's financial statements.

(h) Termination Benefits

Termination benefits which become due and payable to employees, under the Province's Cost Reduction Plan, are borne by Management Board Secretariat.

5. PARTNERSHIP

Included in the properties 'Under development and for sale' are a number of properties on which the Corporation has acquired a partnership interest.

The partnership is with Canada Mortgage and Housing Corporation (CMHC) and represents a joint undertaking between ORC and CMHC for management, development and sale of the partnership lands. Revenues and expenditures are shared by the partners with ORC's share being twenty five per cent. The ORC is the 'Responsible Partner' for managing, developing, marketing and administering the partnership lands, and recovers 75% of the administration fees that are allocated to the partnership projects.

The following represent ORC's interest in the partnership and are reflected in the appropriate captions in the financial statements:

	<u>1996</u>	<u>1995</u>
Properties under development and for sale	4,052	4,994
Mortgages receivable	372	408
Sales	197	334

6. ACCOUNTS RECEIVABLE

	<u>1996</u>	<u>1995</u>
Due from Management Board Secretariat	98,700	
Other Accounts receivable	<u>5,624</u>	<u>2,861</u>
	<u>104,324</u>	<u>2,861</u>

7. MORTGAGES RECEIVABLE

Mortgages are granted to developers at interest rates ranging from 6.25% to 10%. Approximately 66% of the gross principal outstanding matures in two years, while the balance or approximately 34%, matures in up to nine years.

Mortgages receivable comprise principal amounts outstanding plus accrued interest.

	<u>1996</u>	<u>1995</u>
Gross mortgages receivable	27,947	19,543
Deduct: CMHC Partnership interest	<u>1,116</u>	<u>1,393</u>
	26,831	18,150
Provision for doubtful accounts	<u>271</u>	<u>179</u>
	<u>26,560</u>	<u>17,971</u>

8. PAYABLES AND OTHER LIABILITIES

	<u>1996</u>	<u>1995</u>
Accrued payables on		
properties under construction	19,051	30,281
Due to the Management Board Secretariat		1,444
Accrued interest	252	2,400
Other accounts payable	<u>52,604</u>	<u>60</u>
	<u>71,907</u>	<u>34,185</u>

9. DEFERRED LIABILITIES

	<u>1996</u>	<u>1995</u>
Accrued liabilities for future development costs	328	2,127
Municipal levies prepaid by the		
Management Board Secretariat	<u>100</u>	<u>100</u>
	<u>428</u>	<u>2,227</u>

Accrued liabilities for future development costs represent ORC's obligations for development expenditures on land already sold.

10. PROVISIONS FOR LOSS IN VALUE

(a) Provision for Potential Loss in Value of Income Producing Properties

Income producing properties are carried at the lower of cost less accumulated depreciation and net recoverable amount. The net recoverable amount represents the estimated future net cash flow expected to be received from the ongoing use of the property excluding salvage value. To arrive at this amount, the Corporation projects the cash flow for each property on an undiscounted basis over terms ranging from two to 25 years.

Following the forgiveness of the loans on income producing properties, the Head Lease between ORC and MBS was amended effective December 1, 1995 on an interim basis until March 31, 1997 pending a rationalization of the overall building portfolio and the introduction of direct charges to ministries and agencies occupying these buildings in April 1997.

Consequently, the Corporation undertook a review of the net carrying amounts and the net recoverable amounts of these assets, amounts which were based on market comparable costs and revenues. The review also took into consideration the stated intention of the Government of Ontario to continue to occupy these buildings in meeting their long term accommodation needs and to continue to pay rent. The Government also intends to provide the Corporation with assurances that tenant Ministries will meet their lease payment obligations.

As a result of this review, the Board of Directors approved the establishment of a provision of approximately \$187 million. Once the final lease arrangements are in place, the asset values will be appropriately adjusted.

(b) Properties Under Development and for Sale

To comply with the Corporation's policy whereby Properties Under Development and for Sale are stated at the lower of cost and net realizable value, the Corporation annually reviews its portfolio of assets. Consequently a provision of \$72,968,000 was made to write down specific properties to net realizable value. A similar provision was made in 1995 in the amount of \$80,000,000.

The Provision for Loss in Value of Properties is as follows:

	<u>1996</u>	<u>1995</u>
Provision for potential loss in value		
- Completed buildings	186,785	
Net Realizable Value Adjustment - Properties		
under development and for sale	<u>72,968</u>	<u>80,000</u>
	<u>259,753</u>	<u>80,000</u>

11. COMMITMENTS AND CONTINGENT LIABILITIES

Estimated costs to complete income producing properties under construction at March 31, 1996 amount to approximately \$129,856,300.

12. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with the current year's presentation.

PUBLIC SECTOR SALARY DISCLOSURE

The *Public Sector Salary Disclosure Act* requires organizations that receive public funding to disclose annually the names, positions, salaries and taxable benefits of employees paid \$100,000 or more a year.

All employees who earned greater than \$100,000 in 1995, as disclosed on their T4, are reported.

The information for Ontario Realty Corporation is reported as follows:

Employee Name	Position Title	1995 Salary	Taxable Benefits
Bock, B.A. *	Director, Facilities S/W	\$103,229.67	\$307.40
Casey, Timothy E. **	President/CEO, ORC	\$116,050.10	\$340.20
Lowry, Robert	ExecutiveVP, Property Development	\$101,015.86	\$300.80

* Retired 1995/96

** Resigned February 1996

APPENDIX A: ORC PROPERTIES SOLD IN 1995/96

Municipality	Development Type	Sale Price (\$)
Peterborough	Blk 71 FP* (Residential)	79,563
Peterborough	Blk 46 FP* (Residential)	117,563
Ajax	42 Acres (Residential)	2,520,000
Brantford Twp	88 Acres (Residential)	318,077
Cambridge	Open Space (Residential)	467,086
Cambridge	Agricultural	971,794
Cambridge	Future Agricultural	212,890
Edwardsburg	14 Homes (Residential)	249,000
Kitchener	Stage 6 (Residential)	4,253,150
London	2nd Street(Residential)	3,356,800
Markham	Hwy. 48/407	2,000,000
Milton	Land Bank	1,564,500
Oakville South		8,400,000
Stoney Creek	Highland St 1 (Residential)	2,863,435
Stoney Creek	Valley Park 5	367,500
Toronto	Grenville	2,500,000
Whitby	Agricultural	547,000
Windsor	Devonshire St 2 PH. 1 (Residential)	2,228,850
Toronto	Lakeshore	3,250,000
Toronto	Queen's Quay	775,000
Scarborough	Courtland Mews	721,500
Mississauga	10.54 Acres	586,000
Kipling/Hwy 7	8.64 Acres	1,544,000
Hamilton	Garth St	1,707,500

* ORC's share is 25%

APPENDIX B: STATUS OF NEW INCOME PROPERTIES

Location	Building Type	Status
Guelph	OMAFRA Office	Occupancy scheduled to begin in August 1996.
Niagara Falls	Office	Building construction completed in April 1996.
Peterborough	MNR Office	Occupancy to begin in May 1996.
St. Catharines	MTO Office	Phase I completed and occupied. Phase II occupancy scheduled for August 1996.
Hamilton	Courthouse	Phase One - construction completed. Occupancy scheduled for Fall 1998.
Orillia	OPP Head Office	Project completed and occupied August 1996.
Windsor	Courthouse	Phase I substructure complete. Occupancy scheduled for February 1999.
Whitby	Mental Health Facility	Occupancy scheduled to begin in September 1996.

DIRECTORS AND OFFICERS

BOARD MEMBERS

Donald King, Mississauga
Vic Augustine, Toronto*
Carlton Braithwaite, Gloucester
Timothy Casey, Toronto*
Richard Tyssen, Toronto*
Kevin J. Garland, Toronto*

Ken Holder, Toronto
Jean Lam, Toronto*
Michael Morgan, Toronto
Doris Schwar, Sudbury
Lucy Stocco, Toronto

* Appointment expired Feb. 2, 1996.

EXECUTIVE COMMITTEE

Donald King
Timothy Casey
Kevin J. Garland

Ken Holder
Lucy Stocco

FINANCE AND AUDIT COMMITTEE

Donald King (chair)
Carlton Braithwaite
Doris Schwar
Vic Augustine

DEVELOPMENT AND OPERATIONS COMMITTEE

Kevin J. Garland (chair)
Ken Holder
Jean Lam
Lucy Stocco
Richard Tyssen
Michael Morgan

OFFICERS

Chair
Donald King
Treasurer
Ralph Grant

Chief Executive Officer
Jean McLeod**/Timothy Casey
Corporate Secretary
Robert Radford

**President/CEO (Acting) effective Feb. 12, 1996

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Government
Publications

 Ontario



Ontario Realty Corporation

ANNUAL REPORT

APRIL 1, 1996

To

MARCH 31, 1997

Cover Photo: Osgoode Hall, Toronto

This report also contains photographs of other government buildings throughout the province served by Ontario Realty Corporation.

ABOUT THE ONTARIO REALTY CORPORATION

Established in 1993, the Ontario Realty Corporation (ORC) provides Ontario government ministries and agencies with services related to real property and improvements to real property. Its mission is to deliver valued services to all stakeholders and to ensure the optimal use of government land, buildings and leasehold interests.

The ORC's board of directors, drawn from the private and public sectors, is appointed by the government. The board is responsible to the Chair of Management Board for fulfilling its mandate, and receives strategic direction from the government. The chief executive officer of ORC reports to the board of directors.

ORC's organization:

- Property Management Division – activities encompass owned, managed and leased facilities that accommodate the government. Services include the operation, maintenance and repair of facilities; leasing; project management and contract administration; asset management and local portfolio planning.
- Property Development Division – contributes technical services and activities required in property development and capital repair projects, and in real estate disposal. Services include programming, architecture, engineering, interior design and research; real estate appraisal, acquisition and sales, interim land management, and environmental advisory services for realty activities; project management and contract administration.
- Business Development Branch – central service group that develops strategic direction, operating policies and corporate reporting functions to help ensure that ORC's operational activities meet government and corporate priorities and needs. It also provides management tools, portfolio planning, information and advice that support activities of the business divisions.

ORC is decentralized, with a network of operating locations and 884 staff positions (effective March 31, 1997) across the province. Its administrative support services (financial, human resources, legal, communications, audit and information technology) are currently obtained from Management Board Secretariat.

ONTARIO REALTY CORPORATION ANNUAL REPORT

APRIL 1, 1996 TO MARCH 31, 1997

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Cette publication est disponible en français.

MESSAGE FROM THE CHAIR

Of all the words that can be used to summarize ORC activities in 1996/97, perhaps the best is *change*.

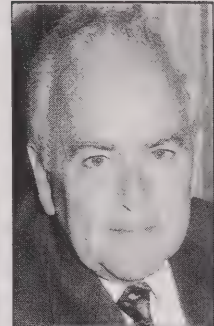
The Ontario government's fiscal and policy agendas, aimed at transforming the Ontario Public Service (OPS) into a smaller, more efficient organization, presented the corporation with many organizational, operational and strategic challenges.

We began detailed planning to significantly change our corporate operations and structure after a new mandate and new direction were approved by the government in July. Our staff worked with client ministries and agencies as they implemented many of their own changes, including downsizing, to reduce the amount of space required to effectively support their program delivery to the public.

Our primary goals during the fiscal year were to achieve significant expenditure reductions and increase revenues from the government's surplus real estate assets and operations. As this annual report indicates, there were some excellent achievements. Among the highlights:

- ORC accelerated its land sales while moving away from capital investment and land development. For example, the Cornell lands in Markham were sold to the private sector for residential development; proceeds are projected at over \$100 million. Revenues generated through this and other sales are helping the government to reduce the provincial deficit and create opportunities for investment in Ontario's economy.
- The Accommodation Program Review (APR) is helping to reduce the amount of space used for government programs and to increase the use and operating efficiencies of retained accommodation. Co-ordinated by ORC, the program achieved total savings exceeding \$26 million by the end of the fiscal year.

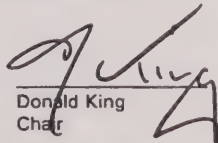
- We finalized the processes by which clients will pay for the accommodation facilities and space provided by ORC, effective April 1, 1997. The new system will encourage better space utilization and management of accommodation funds.



- We laid the groundwork for the ORC to significantly change the way it operates in the future. The intent is that we will have a small core of experts focused directly on the strategic use of the government's real estate holdings, the management of major real estate and accommodation service contracts, and the provision of real estate advice to the government and our client ministries.

As we move forward with our plans to change the ORC in the months ahead, we will be dedicating our resources to support ministries and agencies as they deliver their programs to the public. We will also be pursuing further opportunities to reduce costs and increase revenues through the disposal of surplus real estate, and to use real estate in other advantageous ways.

The past year was challenging. We responded to new initiatives, in an environment of increased demands for new efficiencies, with fewer resources. As the pace of change accelerated, demands on management and staff likewise increased and the employees responded to the challenges. On behalf of the Board, I want to acknowledge their commitment, dedication and professionalism. Our continuing commitment is to manage the government's real estate throughout Ontario as effectively as possible.


Donald King
Chair

STRATEGIC DIRECTIONS AND ACHIEVEMENTS

In 1996/97, the strategic direction of the ORC was to:

- restructure the ORC/MBS real estate asset portfolio to better support the government as it scales back operations;
- develop and introduce a system to charge for accommodation;
- make changes in the organization to improve service delivery and reduce expenditures.

Key activities during the year that fulfilled those directions were Portfolio Restructuring, Charging for Accommodation, and Alternative Service Delivery.

PORTFOLIO RESTRUCTURING

Several factors made portfolio restructuring a key priority. For example, our clients began a thorough review of their operations in keeping with the government's requirement to find savings. Accommodation was one area examined. As they accelerated the process of downsizing, large amounts of space became vacant, requiring ORC's continued re-evaluation and focusing on core assets.

Savings targets continue to be highly dependent on the corporation's ability to match programs with suitable available alternative space.

Effective management of real estate assets involves optimizing capital investment and sustaining the use of assets throughout their economic life, within the context of a portfolio plan. This necessitates decisions on improving the use of existing facilities, demolishing, reusing or refurbishing older facilities, consolidating occupancies or releasing assets, and determining properties for sale.

Accommodation Program Review (APR)

The goal of this program is to reduce and rationalize the government's accommodation portfolio. Its main thrusts focus on cost reduction and better utilization of government-owned space. This will impact by reducing the ratio of owned to leased space.

Over the past year, ORC worked closely with ministries and agencies to identify opportunities for consolidation and co-location, to improve service delivery and reduce the cost of accommodating government programs. In one instance, a one-time expenditure of \$10,000 produced annual savings of more than \$124,000. In another case, \$390,000 spent up front resulted in permanent total savings of \$1.2 million. In each case, the space utilization per person was reduced by more than 50 per cent.

STRATEGIC DIRECTIONS AND ACHIEVEMENTS

Since APR began in 1995, 278 leases have been eliminated and 93 APR projects have been approved. The total permanent annual savings achieved in the lease portfolio are \$26.1 million. The total space reduced from the government's accommodation portfolio is more than 1.6 million square feet.

CHARGING FOR ACCOMMODATION

ORC successfully completed plans to implement a new system starting on April 1, 1997, where clients pay for their accommodation space.

ORC was instrumental in creating the conceptual design and principles guiding implementation of the rental charge system. It was endorsed by an interministerial committee

and approved by the ORC Board and Management Board of Cabinet.

This initiative has three main objectives:

- introduce accountability for the cost of accommodation for users;
- motivate users to consider the strategic importance of real property as a cost of, and resource for, doing business;
- foster efficient and effective management of the government's accommodation portfolio.

Client ministries participated actively in each stage of development including data verification, sign offs on accommodation funding distribution, development and execution of a standard memorandum of understanding, rent incentive policy, and billing procedures.



**Ministry of
Natural Resources
Headquarters,
Peterborough**

The rental charge system is being introduced in two phases, beginning with leased space and government-owned, market comparable space in 1997/98. All other government properties, including special purpose facilities such as laboratories, will be subject to rental charges in 1998/99. Project service charges will be introduced in Phase 2 as well.

Key facts about Phase 1

- Scope - 1,176 leases, representing 10 million rentable square feet and \$203 million in rent; and 46 ORC-owned, market comparable buildings, representing six million rentable square feet and approximately \$73 million in rent.
- Memoranda of understanding signed with 25 client ministries and agencies.
- Total monthly billings of approximately \$22 million.
- A simple billing and accounts receivable system. Monthly invoice detail is provided electronically to client ministries to assist them in managing their accommodation costs.
- A rent incentive policy provides client ministries with a means to manage their accommodation funding shortfall. The

rent incentives support the government's objective to free up both leased and government-owned space for consolidation and/or disposal.

- An information guide provides background and practical information to assist client ministries in implementing their internal processes to support Charging for Accommodation.

ALTERNATIVE SERVICE DELIVERY

Two primary factors required the ORC to conduct a thorough review of its operations during the year: the need to reduce costs as much as possible, and the anticipated reduction in workload resulting from OPS downsizing. These factors led to a re-examination of ORC's delivery methods, its supporting organizational structure and work processes.

A core business evaluation was completed by staff, assisted by external management consultants. One result was the development of an alternative service delivery (ASD) business case, which supports a new approach to service delivery. It reaffirmed a shift from internal direct delivery to the provision of facilities services through large service provider contracts managed by ORC. Much work was also done toward creating an enhanced information technology platform to enable ORC to effectively

STRATEGIC DIRECTIONS AND ACHIEVEMENTS

monitor and control service providers. All options in the evaluation are based on a rigorous business-case analysis.

Additionally, a Business Operations Model was developed, describing the key functions within portfolio and client strategy areas, as well as the performance control function that the new ORC is planning to undertake. This dual emphasis will require establishing linkages and balancing between the government's overall real estate strategy and the accommodation and real estate needs of ORC's clients' businesses. The model further stresses the management of processes and

measurement of outcomes, and describes an effective control structure for setting standards and monitoring service delivery.

These ASD principles were endorsed by ORC's Board of Directors. They confirm ORC's new design as a corporate subsidiary model, much like the real estate arm of a major corporation whose core business is not owning and managing real estate, but using real estate in a cost-effective manner to ensure the viability of its primary business. The ORC's primary business is supporting the successful delivery of government programs.



Ontario Provincial Police Northeast Regional Headquarters, North Bay

OPERATIONAL PRIORITIES AND ACHIEVEMENTS

Several priorities stemming from the corporation's strategic directions are integrated into the business operations: Reducing Operating and Maintenance Costs, Accelerated Property Sales, Rationalizing the Capital Plan, and the Development of Supporting Business and Management Systems.

REDUCING OPERATING AND MAINTENANCE COSTS

In 1996/97, ORC had a \$6-million operating and maintenance (O&M) cost reduction target. As a result of savings derived from revising service standards and levels, and from changes in the way services were provided, this objective was exceeded.

O & M reductions were achieved by restructuring contracts and working with service providers to implement best practices for service delivery. The corporation established more cost-effective building maintenance contracts with input from various industry groups, drew from its experience with previous contracts, and used innovative contracting approaches.

For example, when establishing comprehensive property management contracts for the new headquarters buildings of the ministries of Agriculture, Food and Rural Affairs, and Transportation, ORC used service providers who were very knowledgeable in achieving operating efficiencies. Innovative contracting approaches for these facilities, and for the Michael Starr Building in Oshawa, resulted in successful cost management.

In addition, facility managers worked with clients to develop more cost-effective operating methods in the delivery of day-to-day services. For example, security arrangements and operating hours were adjusted, and contracts for bulk gas purchases provided utility cost reductions of \$80,000.

The corporation will continue to modify and improve its methods of procuring services and supplies, subject to ensuring that any changes are weighed against the risk of asset deterioration, related health and safety implications, and impacts on clients.

Environmentally-responsible property and asset management, supported by the Green Workplace, led to other savings during the year. The Maximum Green program diverted approximately 13,000 tonnes of workplace waste from

OPERATIONAL PRIORITIES AND ACHIEVEMENTS

landfill sites, avoiding \$1.3 million in waste removal and disposal costs.

There were other greening initiatives such as building retrofits and the installation of new technology to reduce energy consumption. Major lighting retrofits were carried out at the Queen's Park, Downsview and Grosvenor Street properties in Toronto, which will lower energy costs. On a test basis, new devices that turn off computer monitors were installed at the Ministry of the Environment and Energy headquarters, and savings are expected to be \$20,000 annually. More installations are planned for the 1997/98 fiscal year.

ACCELERATED PROPERTY SALES

The ORC is contributing to the government's revenues through the timely disposition of properties that are no longer needed by the government for its operations.

The government announced its intention to discontinue land banking and land development, and to dispose of surplus properties, since these activities are handled more effectively by the private sector and municipi-

palities. Subsequently, the corporation proposed a plan to accelerate the sale of about \$500 million worth of land and buildings owned by the government.

In the 1996/97 fiscal year, 353 properties were reviewed through the Realty Disposal Process in preparation for reuse or disposal, 202 of which were owned by the province. This review process was also carried out on behalf of municipalities (43 properties) and the federal government (108 properties).

A significant amount of real estate was marketed including commercial, industrial, institutional and residential properties. Many more office, special purpose and development sites will be sold as government downsizing continues.

Total sales were \$59.3 million. This included ORC sales of \$41.8 million and MBS sales of \$12.4 million. Sales on behalf of other government agencies accounted for an additional \$5.1 million.

Some sales were the result of innovative arrangements with private sector partners to promote future residential development. Examples are:

- the 1,200-acre Cornell site in Markham. The sale on a phased basis over the next 13 years, may produce over \$100 million in revenue. The first phase of the sale during the past year was worth \$8.1 million.
- five acres of land at Bay and Wellesley streets in Toronto. Phase 1 of the sale closed during the year for \$5.8 million.

Some other large transactions were:

- the sale of 258 single family housing lots in Windsor to five local builders for over \$8.1 million. Agreements valued at \$5.9 million closed in 1996/97; the balance close in the 1997/98 fiscal year.
- the pre-sale of 106 building lots and two townhouse blocks in Stoney Creek for \$5.8 million under contract, and \$600,000 sold and closed.
- the sale of 27 homes for \$3.6 million at the McClure Crescent site in Scarborough, after an environmental clean-up.

The book value of ORC properties held for development and sale as of March 31, 1997 was \$ 307.2 million after a writedown of \$54 million.

Note: Under generally accepted accounting principles in the real estate industry, assets that have had a permanent impairment in value are written down, but assets that increase in value are not written up.

The writedown was largely attributed to a \$29-million decrease in Parkway Belt property values; the construction of Highway 407 altered the size, configuration and availability of properties. The site at Bay and Wellesley streets decreased in value by \$7.8 million, reflecting lower densities and a 20 per cent decline in the residential unit rate per square foot. The decreased \$3.2-million value of the site at Ellesmere and McCowan avenues in Scarborough, resulted from lower density and a downward market adjustment for residential units.

RATIONALIZING THE CAPITAL PLAN

ORC explored a variety of approaches to reduce the government's capital budget for program facilities. For example:

- constructive partnerships with the broader public sector and private sector industry to reduce project expenditures;
- reducing capital delivery costs through innovative methods of project delivery;

OPERATIONAL PRIORITIES AND ACHIEVEMENTS

- effectively managing the accommodation portfolio by evaluating options and cost benefits of capital repair projects for existing properties, and by implementing APR and office consolidation projects;
- reducing unit-area costs for accommodation by using various industry cost management strategies, such as value engineering and revising our construction standards to conform with the private sector.

The ORC acted on opportunities to achieve capital savings through lower construction costs, the deferral of new capital projects, modifying and scaling back existing capital projects, and responding to program reductions.

Development activities during the year included:

- the substantial completion of all Ontario Government Relocation Program (OGRP) projects, and the occupancy of these buildings in St. Catharines, Guelph and Peterborough. The 1996/97 allocation for the OGRP projects was \$55.7 million. An additional \$24 million in savings were achieved during the year in tenant improvements and by reusing existing furniture wherever feasible. These were on top of \$76 million in savings identified in previous years, based on the original approved budget of \$399 million.
- completion and official opening of the new Whitby Mental Health Centre. The \$125-million centre, providing specialized treatment facilities, replaced 40 outdated buildings on the site.



**Ontario Government
Building, Clinton**

OPERATIONAL PRIORITIES AND ACHIEVEMENTS

- the Toronto courts consolidation at 393 University Avenue was completed on budget and schedule. A \$39.6-million contract was awarded for the final phase of construction of a new courthouse in Hamilton. A partnership agreement was negotiated with the City of Windsor for the construction of a joint courthouse facility and city police headquarters. This project will continue in 1997/98, as will projects for new courts facilities in Cornwall, Brampton and Pembroke.
- assisted the Ministry of the Solicitor General and Correctional Services in the

approval process for six new retrofit projects valued at \$252.6 million. These will upgrade and consolidate correctional facilities across the province, under the Adult Infrastructure Renewal Program.

Another 554 capital repair projects were managed by ORC for MBS, client ministries and the broader public sector, for a total expenditure of \$34.3 million. Examples include expansion of the Horticultural Research Institute in Lincoln for the Ministry of Agriculture, Food and Rural Affairs for \$689,000, and a Ministry of Health project, a new ambulance station in Cambridge, for \$1.3 million.

**Architect's
Perspective,
new Hamilton
Courthouse**



OPERATIONAL PRIORITIES AND ACHIEVEMENTS

In addition, \$15.2 million was spent for alterations projects to improve the effectiveness and/or efficiency of existing accommodation. Examples are \$1.6 million in alterations to the Champlain School, Ottawa, for the Ministry of Education and Training; and a \$1.2 million project to provide an Ontario Provincial Police communications centre in North Bay for the Ministry of the Solicitor General and Correctional Services.

HUMAN RESOURCES AND ORGANIZATIONAL STREAMLINING

The ORC addressed a number of challenges in managing its human resources and finding new ways of doing business to achieve savings.

To meet government budget constraints, the corporation decreased its size by 246 staff positions to 884 by March 31, 1997. The reduction was achieved largely through attrition, although some surplussing was necessary.

Other streamlining measures, such as portfolio re-configurations were needed to manage the workload with less staff. Through a series of amalgamations resulting from the loss of

key personnel, ORC reorganized its facility management portfolio from 41 geographic areas in 1995 to 31 by 1997. However, the workload did not change; in fact, it has increased in the drive to meet constraint targets and implement government initiatives. In addition, employees were consolidated in a number of locations and space savings of over 50 per cent were achieved. Staff continue to share space with client ministries wherever possible to promote savings and improve customer service. ORC executive offices were relocated from four sites to one floor using the new reduced space standards.

The ORC implemented a new performance management system that was developed for the OPS Senior Management Group. All executives now have performance contracts that link their compensation directly to the achievement of the corporation's business plan and operational objectives. The next level of the organization is now positioned to have performance contracts in place for the 1997/98 fiscal year, further supporting accountability for results.

ORC's plans to restructure and deliver services differently foresee a much smaller organization. Although specific impacts on individuals were not known during the year, uncertainty about the future raised concerns among the staff. In

OPERATIONAL PRIORITIES AND ACHIEVEMENTS

response, the corporation provided packages of support including financial planning and benefit information sessions, career transition, skills assessment and entrepreneur workshops. These tools are intended to assist staff in making choices and decisions about their own future directions.

DEVELOPMENT OF SUPPORTING BUSINESS AND MANAGEMENT SYSTEMS

The ORC is establishing information systems with which it can maintain accurate data to ensure that decisions are made with the fullest information possible.



Macdonald-Cartier Building, Kingston

OPERATIONAL PRIORITIES AND ACHIEVEMENTS

The new Realty and Employee Geographic Information System (REGIS) was created to centralize building and occupant information that was previously found in other administrative operating systems. REGIS was inspired by APR and provides detailed information about buildings and occupants for planning purposes. REGIS allows the users to obtain this information on a geographical basis, using maps to highlight areas of interest.

The Property Information Management System (PIMS) was verified for accuracy of building space and allocation data, and new criteria were established for updating data in support of asset management and the charging for accommodation program. A new system was also implemented to provide for the forecasting of expenditures within various categories.

CORPORATE PLAN 1997/98

Program changes aimed at reducing costs and improving the delivery of services are expected to dominate the work of all ministries and agencies, including the ORC, in 1997/98. The corporation will be finalizing plans for a restructuring of its organization, following the government's approval of its new mandate and future directions. Meanwhile, it will continue to provide the OPS with real estate and accommodation services that support their day-to-day operations most effectively.

The 1997/98 corporate plan recognizes that the ORC will face a number of challenges such as reductions to operating and capital budgets, a shrinking demand for accommodation, and the need to maintain service levels at a time of significant demand by clients. These challenges have helped to shape goals and objectives for the year.

The goals:

- Support government and ministries in achieving program restructuring and fiscal restraint targets;
- Optimize the value of the province's real estate assets and maximize revenues from the sale of surplus properties;

- Position the ORC as a value-added organization that balances the real estate needs of client ministries and government.

The following strategic objectives for 1997/98 are based on these goals:

- Reposition the ORC as a corporate real estate service agency by April 1998 to allow for greater independence, maximum flexibility in operations/administration, and a more business-like environment;
- Develop client accommodation and portfolio restructuring strategies to assist in the reduction of accommodation costs;
- Implement Phase I of Charging for Accommodation and develop and implement Phase 2 for April 1, 1998;
- Generate \$60 million in sales of surplus government properties by the end of March 1998.

For each of the objectives, the ORC developed strategies that will guide its operations and resource decision making. There will also be a stronger emphasis on service performance, with targets to be achieved during the year.

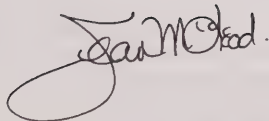
FINANCIAL STATEMENTS

STATEMENT OF MANAGEMENT RESPONSIBILITY

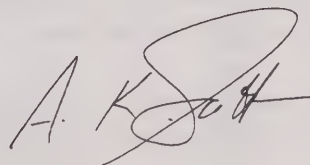
The financial statement in this report were prepared by ORC management using generally accepted accounting principles appropriate for a private-sector real estate company. The accounting policies are described in notes to the financial statements.

To ensure the integrity and objectivity of the following financial information, management has established internal control systems to provide reliable accounting records and the security of assets.

ORC's Board of Directors has reviewed and approved the financial statements. The financial statements have been audited by the Provincial Auditor.



Jean McLeod
Chief Executive Officer



A. Kelly Scott, CA
Chief Financial Officer

FINANCIAL STATEMENTS

Office of the
Provincial Auditor
of Ontario



Bureau du
vérificateur provincial
de l'Ontario

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Auditor's Report

To the Ontario Realty Corporation,
Chair of the Management Board of Cabinet,
and to the Minister of Finance

I have audited the balance sheet of the Ontario Realty Corporation as at March 31, 1997 and the statements of operations, deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1997 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

A handwritten signature in black ink, appearing to read "Erik Peters".

Erik Peters, FCA
Provincial Auditor

Toronto, Ontario
August 1, 1997

FINANCIAL STATEMENTS


ONTARIO REALTY CORPORATION (A Crown Corporation of the Province of Ontario)

BALANCE SHEET

As at March 31 (\$ thousands)	1997	1996
ASSETS		
Cash	30,833	-
Accounts receivable (note 10)	39,830	104,324
Mortgages receivable (note 3)	30,911	26,560
Properties (note 4)		
Income producing properties	847,310	554,787
Income producing properties under construction	38,677	311,796
Properties under development and for sale	307,244	372,975
	1,294,805	1,370,442
LIABILITIES AND EQUITY OF THE PROVINCE OF ONTARIO		
LIABILITIES		
Bank overdraft	-	9,868
Deposits held in trust	2,977	1,095
Accounts payable and accrued liabilities	51,421	72,335
Loan payable to the Province of Ontario (note 5)	94,300	139,300
	148,698	222,598
EQUITY OF THE PROVINCE OF ONTARIO		
Contributions from the Province of Ontario (note 6)	1,485,411	1,465,237
Deficit	(339,304)	(317,393)
	1,146,107	1,147,844
	1,294,805	1,370,442

See Notes To Financial Statements

On Behalf of the Board:


Director

FINANCIAL STATEMENTS

ONTARIO REALTY CORPORATION (A Crown Corporation of the Province of Ontario)

STATEMENT OF DEFICIT

Year Ended March 31 (\$ thousands)	1997	1996
Deficit, beginning of year	317,393	67,781
Net loss	21,911	249,612
Deficit, end of year	339,304	317,393

See Notes to Financial Statements

FINANCIAL STATEMENTS

ONTARIO REALTY CORPORATION (A Crown Corporation of the Province of Ontario)

STATEMENT OF OPERATIONS

Year Ended March 31 (\$ thousands)	1997	1996
Income producing properties:		
Rental revenue (note 1)	119,522	118,385
Operating costs	(72,163)	(71,224)
Depreciation	(17,467)	(11,305)
Interest expense (note 7)	(162)	(29,788)
Income from income producing properties	29,730	6,068
Properties under development and for sale:		
Sales revenue	41,750	41,565
Cost of sales	(36,554)	(30,187)
Income from properties under development and for sale	5,196	11,378
	34,926	17,446
Administrative expenses (note 10)	(5,855)	(9,240)
Interest income	3,018	1,935
Income from operations before provision for loss in value of properties	32,089	10,141
Provision for loss in value of properties (note 8)		
Income producing properties	-	186,785
Properties under development and for sale	54,000	72,968
	54,000	259,753
Net loss for the year	21,911	249,612

See Notes to Financial Statements

FINANCIAL STATEMENTS

ONTARIO REALTY CORPORATION (A Crown Corporation of the Province of Ontario)

STATEMENT OF CHANGES IN FINANCIAL POSITION

Year Ended March 31 (\$ thousands)	1997	1996
OPERATING ACTIVITIES		
Net loss	(21,911)	(249,612)
Non-cash items		
Depreciation	17,467	11,305
Provision for loss in value of properties	54,000	259,753
Other operating assets and liabilities, net change	41,111	(73,835)
	90,667	(52,389)
INVESTING ACTIVITIES		
Net (increase) decrease in properties	(25,140)	(165,488)
FINANCING ACTIVITIES		
Net contributions from the Province	20,174	1,109,645
Loan repayments	(45,000)	(17,853)
Additional loans-based financing provided by the Province of Ontario	-	128,432
Loans-based financing forgiven by the Province of Ontario	-	(1,013,636)
	(24,826)	206,588
CASH POSITION		
Net increase (decrease) in cash during year	40,701	(11,289)
(Bank overdraft) cash, beginning of year	(9,868)	1,421
Cash (bank overdraft), end of year	30,833	(9,868)

See Notes to Financial Statements

ONTARIO REALTY CORPORATION

NOTES TO FINANCIAL STATEMENTS

March 31, 1997 (Tabular amounts in \$000's)

1. GENERAL

The Ontario Realty Corporation (the Corporation) is incorporated under the Capital Investment Plan Act 1993 as a Crown Corporation of the Province of Ontario (the Province).

In accordance with the Act, the objects of the Corporation are:

- (i) to provide the Government of Ontario, its programs and others, with services and financing related to real property and improvements to real property.
- (ii) to provide any additional objects as directed by the Lieutenant Governor in Council.

The Corporation is economically dependent on the Province as follows:

- (i) The Corporation receives contributions from the Province for construction and development costs.
- (ii) Substantially all of the income producing properties are subject to a lease with the Province, at negotiated amounts based on market rates. As a result, the Corporation receives substantially all of its rental revenue from the Province.

The Corporation acquired assets from the Province including land held for development and sale and income producing properties (note 4). The acquisition was financed by debt and an equity contribution, both from the Province. Subsequently, the Province forgave the debt on the income producing properties (notes 6, 7).

Substantially all of the corporation's activities related to its income producing properties is conducted with and for the Province (note 10). In addition to managing these assets, the Corporation also manages properties held directly by the Province.

The Corporation is exempt from Federal and Provincial income taxes.

On July 2, 1996 Management Board of Cabinet formally approved the conversion of the Corporation into a publicly-owned service agency of the government. Legislative, scheduling and operational approvals to effect these changes are expected in late 1997.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) General

These financial statements have been prepared in accordance with generally accepted accounting principles appropriate for a real estate company.

(b) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the financial statements and revenues and expenses for the period reported.

In particular, in determining estimates of net recoverable amounts and net realizable values of the Corporation's properties, the Corporation must make assumptions regarding future industry performance and prospects, general business and economic conditions which are expected to prevail and the future use of its properties. Such assumptions are limited by the availability of reliable comparable data and by the uncertainty of predictions concerning future events. Accordingly, property valuations are subjective and do not necessarily result in precise determinations. Should the underlying assumptions not materialize, the net recoverable amounts and net realizable values could change by a material amount.

(c) Carrying Value of Properties

The Corporation has acquired substantially all of its properties from the Province and has established the cost of the properties as the estimated fair market values on the dates of the acquisitions.

Income producing properties are carried at the lower of depreciated cost and net recoverable amount.

Income producing properties under construction are carried at cost. Cost includes development and construction costs, capitalized interest and construction management expenses, less net interim property rents and expenses.

Properties under development and for sale are stated at the lower of cost and net realizable value. Cost includes development and construction costs, capitalized interest and construction management expenses, less net interim property rents and expenses.

(d) Revenue Recognition

Revenue and earnings from income producing properties under construction are recognized at the earlier of achieving an occupancy level of 80% or one year after substantial completion.

NOTES TO FINANCIAL STATEMENTS

Revenue from the sale of properties is recognized at the time of sale when all material conditions have been fulfilled and the appropriate cash down payment has been received.

(e) Depreciation

Special purpose structures are depreciated on the straight line basis over the lower of 25 years and the estimated useful life of the building. All other income producing properties are depreciated under the sinking fund method over the remaining useful life in a series of annual instalments compounded at the rate of 5% per annum.

3. MORTGAGES RECEIVABLE

Mortgages receivable bear interest at rates ranging from 4.75% to 12% and at March 31, 1997 are due as follows:

	<u>Amount</u>
1998	11,142
1999	10,278
2000	1,958
2001	233
2002	2,764
Thereafter	<u>5,000</u>
	31,375
Less: Provision for doubtful accounts	(464)
	<u><u>30,911</u></u>

4. PROPERTIES

(a) Income Producing Properties

<u>Class</u>	<u>Historic Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value 1997</u>	<u>Net Book Value 1998</u>
Courts	151,726	(3,958)	147,768	
Office buildings	671,747	(22,556)	649,191	
O.P.P. detachments	32,567	(836)	31,731	
Laboratories	85,482	(2,165)	83,317	
Special purpose facilities	124,969	(2,881)	122,088	
	<u>1,066,491</u>	<u>(32,396)</u>	<u>1,034,095</u>	741,572
Provision for loss in value			(186,785)	(186,785)
Net book value			<u><u>847,310</u></u>	<u><u>554,787</u></u>

NOTES TO FINANCIAL STATEMENTS

(b) Income Producing Properties Under Construction

	<u>1997</u>	<u>1996</u>
Balance, beginning of year	311,796	287,499
Transfers to income producing properties	(307,066)	(133,159)
Development and construction costs	33,244	143,142
Capitalization of:		
Interest	-	13,194
Construction management expenses	<u>703</u>	<u>1,120</u>
Balance, end of year	<u>38,677</u>	<u>311,796</u>

Estimated costs to complete income producing properties under construction at March 31, 1997 amount to approximately \$82,225,000.

(c) Properties Under Development and for Sale

	<u>1997</u>	<u>1996</u>
Balance, beginning of year	372,975	416,009
Development and construction costs	15,243	8,714
Capitalization of:		
Interest	11,151	25,426
Construction management expenses	4,507	6,338
Net interim property rents and expenses	(6,078)	(5,328)
Transfers from income producing properties under construction	-	24,971
Costs of properties sold	(36,554)	(30,187)
Provision for loss in value (note 8)	(54,000)	(72,968)
Balance, end of year	<u>307,244</u>	<u>372,975</u>

Committed development and construction cost on properties under development and for sale at March 31, 1997, amount to approximately \$10,737,000.

NOTES TO FINANCIAL STATEMENTS

5. LOAN PAYABLE TO THE PROVINCE OF ONTARIO

On March 31, 1997 the Corporation had a loan payable to the Province, due March 25, 1998, comprising two tranches as follows:

<u>Tranche</u>	<u>Interest Rate</u>	<u>Amount</u>
C	4.75%	19,300
D	8.08%	75,000
		<u>94,300</u>

The loan is unsecured, prepayable at the Corporation's option and renewable for a period to be mutually agreed upon by the Corporation and the Province.

6. CONTRIBUTIONS FROM THE PROVINCE OF ONTARIO

	<u>1997</u>	<u>1996</u>
Balance, beginning of year	1,465,237	355,592
Contributions during the year for:		
Property development and construction costs	36,768	86,845
Administrative expenses	-	9,164
Forgiveness of loans-based financing	-	1,013,636
Expenditures made by the corporation on behalf of the Province	(16,594)	-
Balance, end of year	<u>1,485,411</u>	<u>1,465,237</u>

7. INTEREST EXPENSE

	<u>1997</u>	<u>1996</u>
Interest incurred on debt from the Province	11,313	68,408
Interest capitalized (note 4)	(11,151)	(38,620)
	<u>162</u>	<u>29,788</u>

During the year ended March 31, 1996, the Province terminated its loans-based financing program (note 6) and forgave loans made to the Corporation in the amount of \$1,013,636,000.

8. PROVISION FOR LOSS IN VALUE OF PROPERTIES

(a) Income Producing Properties

Following the forgiveness of the loans-based financing on income producing properties, the Head Lease between the Corporation and the Province was amended effective December 1, 1995 on an interim basis until March 31, 1997 pending a rationalization of the overall building portfolio and the introduction of direct charges to ministries and agencies occupying these buildings in April 1997.

Consequently, during the year ended March 31, 1996 the Corporation undertook a review of the net carrying amounts and the net recoverable amounts of these assets, amounts which were based on market comparable costs and revenues. The review also took into consideration the stated intention of the Province to continue to occupy these buildings in meeting their long term accommodation needs and to continue to pay rent. The Province also provided the Corporation with assurances that it will meet its lease payment obligations.

As a result of this review, in the year ended March 31, 1996, the Board of Directors approved the establishment of a provision of approximately \$187 million. No additional provision was required in the year ended March 31, 1997.

(b) Properties Under Development and for Sale

To comply with the Corporation's policy whereby properties under development and for sale are stated at the lower of cost and net realizable value, the Corporation has reviewed its portfolio of assets and recorded a write down of \$54,000,000 (1996 - \$72,968,000).

9. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of accounts receivable, deposits held in trust and accounts payable and accrued liabilities approximate the carrying values, due to the short term nature of these financial instruments.

At March 31, 1997 the fair value of mortgages receivable approximates its carrying value due to the near term maturity dates of the mortgages.

At March 31, 1997 the fair value of the loan payable to the Province is approximately \$96,684,000.

10. OTHER RELATED PARTY TRANSACTIONS

In addition to the related party transactions disclosed in notes 1,2,5,6, and 7, the Corporation entered into the following transactions with the Province:

- (a) At March 31, 1997, accounts receivable include \$29,297,000 (1996 - \$98,700,000) receivable from the Province.
- (b) Included in administrative expenses are corporate services purchased from the Province in the amount of \$3,625,000 (1996 - \$9,164,000) on a cost recovery basis.
- (c) Grants in lieu of property taxes have been paid on the Corporation's properties by the Province. The Corporation has not been charged for these taxes and has not recorded them. If the taxes had been charged they would have been recovered under the lease arrangement with the Province.
- (d) Termination benefits which become due and payable to employees as a result of corporate restructuring are borne by the Province.
- (e) Acting as an agent for the Province, the Corporation provides real estate portfolio and property management services for assets owned directly by the Province. ORC does not receive a fee for these services. At March 31, 1997, the Corporation carried out management activities for 8,009 properties owned by the Province. These assets and the related liabilities, revenues and expenses of the Province are not reflected in the Corporation's financial statements.

In carrying out its management activities during the year ended March 31, 1997, the Corporation paid approximately \$95,223,000 of property costs on behalf of the Province, including operation costs and construction and development costs (1996 - \$122,328,000). These amounts were reimbursed to the Corporation. The Corporation also managed proceeds in respect of property sales and mortgage receivables on behalf of the Province in the amount of approximately \$14,149,000 in the year ended March 31, 1997 (1996 - \$5,409,000). These amounts were remitted to the Province.

In connection with the real estate portfolio and property management activities carried out for the Province during the year ended March 31, 1997, the Corporation incurred \$16,594,000 of costs on behalf of the Province for which no specific reimbursement was received (1996 - \$522,000). This amount has been reflected in the financial statements as a reduction of contributions from the Province (note 6).

NOTES TO FINANCIAL STATEMENTS

11. PENSION PLAN

The Corporation provides pension benefits for all its full-time employees through participation in the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees' Pension Fund (OPSEU Pension fund) established by the Province.

The Corporation's required contributions related to the pension plans for the year ended March 31, 1997 were \$891,000 (1996 - \$913,000) and are included in the Corporation's financial statements.

The Ontario Public Service Employees' Union Pension Act provides for a reduction of the employers' contributions to the PSPF and the OPSEU Pension Fund. This reduction covers each of the three fiscal years ending 1995-1997.

12. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with the current year's presentation.

PUBLIC SECTOR SALARY DISCLOSURE

The *Public Sector Salary Disclosure Act* requires organizations that receive public funding to disclose annually the names, positions, salaries and taxable benefits of employees paid \$100,000 or more a year.

All employees who earned greater than \$100,000 in 1996, as disclosed on their T4, are reported. The information for Ontario Realty Corporation is reported as follows:

Employee Name	Position Title	1996 Salary	Taxable Benefits
Robert Lowry	Executive Vice-President, Property Development Division	\$103,402	\$298.00
Gord Laschinger	Vice-President, Real Estate Branch	\$101,196	\$292.00

APPENDIX A: PERFORMANCE INDICATORS AND RESULTS

These measures focus on business activities of the corporation and provide a means of evaluating the success of ORC's performance.

MEASURE/INDICATOR	1995/96 ACTUAL	1996/97 TARGET	1996/97 ACTUAL	1997/98 TARGET
Vacancy Rate *	4.5%	4%	5.8%	10%
Operating cost per square foot (office)	\$9.42	\$8.85	\$8.50	\$8.50
Office space occupied per employee (in square feet) *	305 ft ²	275 ft ²	380 ft ²	375 ft ²
Space managed per employee **	60,700 ft ²	64,800 ft ²	85,400 ft ²	75,000 ft ²

* Represents interim under utilization as ORC consolidates and disposes of space released through government downsizing.

** Significant increase in space managed per employee from 1995/96 to 1996/97 reflects downsizing of operational staff. Due to transition, staff are leaving voluntarily at a higher than normal attrition rate.

APPENDIX B: ORC PROPERTIES SOLD IN 1996/97

Municipality	Description	Sale Price (\$'000)
Peterborough	Commercial block	23
Peterborough	Church site	15
Windsor	Riverside	755
Cambridge	Agricultural properties	253
Edwardsburg	Residences	184
Guelph	Residential lots	85
Kitchener	Residential lots	3,712
London	Residential lots	2,303
Milton	Agricultural Properties	2,246
Mississauga	Parkway Belt land	1,096
Mississauga	Parkway Belt land	2,107
Nanticoke	Agricultural properties	350
North York	Townhouse block	1,925
Oakville	Residential lots	81
Stoney Creek	Residential lots	563
Stoney Creek	Residential lots	665
Toronto	East of Bay	5,845
Townsend	Agricultural properties	396
Whitby	Agricultural properties	970
Windsor	Residential lots	5,908
Toronto	Government office building - 801 Bay St.	2,200
Vaughan	Parkway Belt properties	1,350
Mississauga	Parkway Belt properties	578
Cornell	Residential lots, Phase 1 - Community Master Plan	8,140
TOTAL		41,750

DIRECTORS AND OFFICERS

BOARD MEMBERS

Donald King, Mississauga
Carlton Braithwaite, Gloucester
Doris Schwar, Sudbury*
Anne Evans, Toronto
Lucy Stocco, Toronto*
Elaine Todres, Toronto*
Joseph Mavrinac, Kirkland Lake

Ken Holder, Toronto
Michael Morgan, Toronto
Jay Huckle, Toronto
Graeme Eadie, Toronto
Michael McClew, Toronto
Ron Vrancart, Toronto
Stephen Lim, Oakville

OFFICERS

Chair

Donald King

Treasurer

A. Kelly Scott

Legal Counsel

Dana Hall

Chief Executive Officer

Jean McLeod

Corporate Secretary

Joyce Barretto

* Appointments expired.

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Ontario Realty Corporation

1997/98 Annual Report



New Directions



Ontario
Realty
Corporation

Corporate Profile

The Ontario Realty Corporation (ORC) is a Crown Corporation that provides quality accommodation and real estate services to provincial government ministries and schedule 1 and 4 agencies. ORC operates as an agency of the Management Board Secretariat and is governed by a Board of Directors who are subject to direction from the Chair of the Management Board of Cabinet.

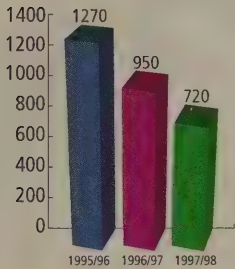
ORC is responsible for a portfolio of real estate assets consisting of approximately 46 million square feet of rentable space on some 2,000 sites. The portfolio consists of about nine million square feet, which is leased from private sector landlords through 1,035 lease agreements, and 37 million square feet which is government-owned space. ORC also manages 65,000 acres of land and approximately 1,360 property leases to private sector tenants. The Corporation's four largest customers – the Ministries of Health, Attorney General, Community and Social Services, and Solicitor General and Correctional Services – collectively occupy more than 44 per cent of the province's real estate portfolio. ORC is geographically decentralized with four regional offices and 29 facility management units. The Corporation's head office is located in Toronto. During 1997/98, ORC employed approximately 720 people.

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Business Highlights

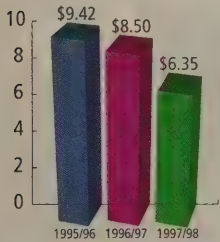
Number of ORC Employees



The business and goals of ORC fall into two distinct categories: the planning and management of the Management Board Secretariat's (MBS) portfolio of properties; and establishing the Corporation's internal infrastructure and focusing on achieving operational and financial independence. The Business Highlights and Report on Operations in this year's annual report have been written to coincide with these two categories to clearly differentiate which activities relate to the MBS portfolio and which are ORC corporate functions.

Portfolio Highlights

Operating Cost per Square Foot (office)
(in dollars)

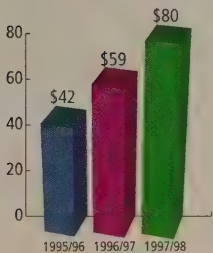


To better reflect private sector accounting practices, the calculation of the 1997/98 operating cost per square foot has been adjusted to exclude expenses that are capital in nature. The amount for 1997-1998 is estimated at \$1.43 per square foot.

- Achieved operating costs per square foot of \$6.35 for office space, comparable with private-sector real estate companies.
- Implemented the Ontario government's \$270 million Adult Infrastructure Renewal Program (jails program).
- Generated \$79.5 million in revenue from sale of surplus real estate assets.

Corporate Highlights

Property Sales
(in millions of dollars)



- Received government approval to restructure and position ORC as a real estate service agency that will focus on strategic, pro-active planning of the use of government facilities.
- Planned for the outsourcing of its day-to-day facility and land management operations.
- Established new organizational structure; commenced recruiting.

Chair's Statement

This was another year of change and restructuring for ORC as it continued its evolution into a publicly-owned, administratively independent agency responsible for managing the Ontario government's real estate assets. The restructuring initiative has emphasized accountability, reduction of operating costs, alternative methods of delivering services, the accelerated sale of lands, and an increased emphasis on customer service.



Joe Mavrinac, Chair, ORC Board of Directors

In order to meet these challenges, ORC is transforming the way it does business. It is being led by a Board of Directors composed primarily of individuals with private-sector experience. The Corporation is establishing itself as an independent service agency which will allow it greater flexibility in its operations. In some areas, ORC will move from being a direct provider of realty services to a service management company overseeing the provision of realty services by private-sector service providers. This will help the Corporation better serve its customers, deliver services more cost-effectively, and take a strategic approach to real estate portfolio management.

Change is never easy. But in the midst of it, ORC and its many dedicated employees have remained focused on managing the province's portfolio of real estate assets in a results-oriented manner and in keeping with the government's fiscal and policy agenda.

I look forward to the 1998/99 year as ORC continues to strengthen its customer relationships and moves forward to achieve its vision to be the real estate provider of choice for the provincial government.

A handwritten signature in dark ink, appearing to read 'Joe Mavrinac', written in a cursive style.

Joe Mavrinac
Chair, ORC Board of Directors

President's Remarks

Although 1997/98 was another year of change and transition, the managers and staff at ORC did what they always do – deliver results.

Last year, we generated more revenue from the sale of surplus real estate assets than ever before. We met our performance targets, including a reduction in operating costs per square



John Bell, President & Chief Executive Officer

foot and space reduction targets. Our Project Management group was extremely busy planning for the first phase of the government's major \$270 million Adult Infrastructure Renewal Program (jails program). Both the Board and management are dedicated to completing the transition of ORC to a real estate service agency.

We plan to outsource major components of our existing organization in order to become more focused on strategic, pro-active planning of the use of government facilities and the management of major service contracts. Our knowledge of our customer ministries and the operations of government will ensure that we continue to be the "real estate and facility expert" for the government.

In February 1998, we unveiled a new organizational structure that establishes three primary operating groups: Strategic Planning, Facility Management, and Project Management; and two support functions: Finance and Administration, and Corporate Relations.

In the year ahead, we will continue our journey of transformation. Management and staff are committed to the corporate change initiatives, including the completion of the service delivery outsourcing, implementation of new management information systems, and establishment of ORC as a self-sustaining, operationally independent real estate management company.

We have set ambitious performance targets for 1998/99. I am confident they will be met. I would like to personally thank all the people of ORC for their dedication and hard work in this exciting time of change.

A handwritten signature in dark ink that reads "John H. Bell". The signature is fluid and cursive, with the first name "John" and last name "Bell" clearly distinguishable.

John H. Bell
President & Chief Executive Officer

REPORT ON OPERATIONS



Ottawa Courthouse and Registry Office, Ottawa

In 1997/98, ORC successfully managed the province's complex and diverse real estate assets while continuing to deliver valued services to customers and support government initiatives. The Corporation focused its efforts and resources on reducing costs and maximizing revenues, and pursued three goals:

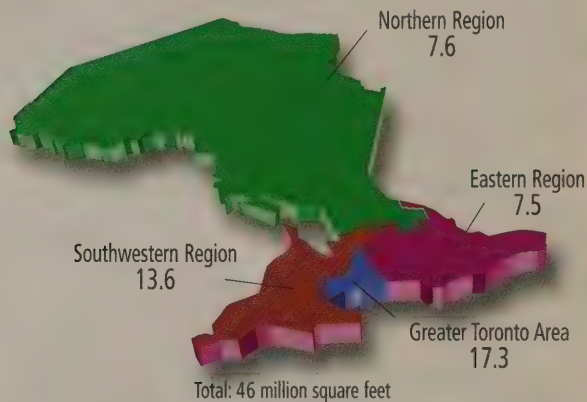
- to support government and ministries in achieving program restructuring and fiscal constraint targets;
- to optimize the value of the province's real estate assets and maximize revenues from the sale of surplus properties; and
- to position the ORC as a value-added organization that balances the real estate needs of client ministries and government.

PORTFOLIO REPORT

The following charts illustrate the size and diversity of the ORC - managed real estate portfolio.

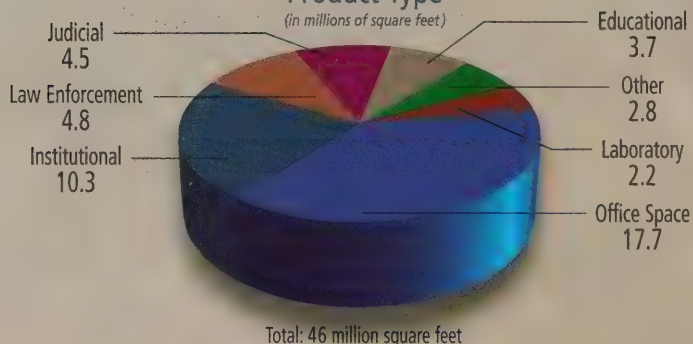
Portfolio Diversification by Property Location

(in millions of square feet)



Portfolio Diversification by Product Type

(in millions of square feet)

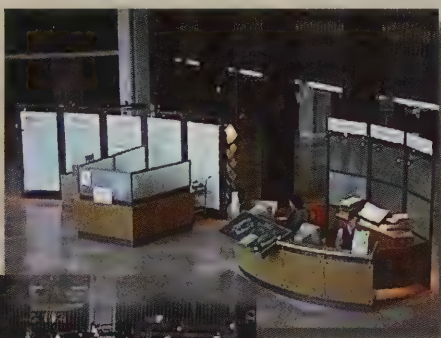


Report On Operations

REDUCING ACCOMMODATION COSTS

Over the past two years, approximately 3 million square feet of leased and government-owned space was eliminated from the government's real estate portfolio.

In 1996/97 ORC launched a two-year program to address a \$100 million, government-wide accommodation funding constraint. That program came to an end in 1997/98. ORC worked closely with ministries and agencies to meet this target by identifying opportunities for office consolidation and co-location, improving service delivery, and reducing the cost of accommodating government programs. Approximately 1.4 million square feet of leased and government-owned space was eliminated during 1997/98 from the government's real estate



Common Service Counter, Toronto

portfolio. For the past two years, lease savings have totalled \$40.3 million with the balance of the \$100 million achieved through operation and maintenance savings and organization restructuring by ORC and ministries.

In 1997/98, ORC supported the Ontario government in the implementation of an initiative to provide the public with improved access to government services and information. ORC worked with project teams from many ministries to determine the best sites within 61 designated communities across the province for the development and installation of common service counters and administrative services.

Four common service counters were built during the year and now are operating in Ottawa, Kingston, Peterborough and Toronto. ORC also developed 30 Regional Portfolio Profiles and, through a process of prioritization, confirmed 136 real estate assets as core to the delivery of government programs.

In Line With Private Sector

ORC's 1997/98 year end average operating costs per square foot for office space was \$6.35, a figure in line with private sector real estate companies. This figure was achieved through

Report On Operations

increased operating efficiencies and a reduction in contracted service levels. In order to align ORC's cost calculations for bench-marking purposes and for bringing private sector discipline to ORC's activities, an adjustment was made to the cost-per-square-foot calculation to reflect



Hamilton Courthouse (under construction), Hamilton

industry standard approaches to accounting for the treatment of capital repair costs. This adjustment accounted for a reduction of \$1.43 per square foot in 1997/98.

ORC's Project Development Branch was primarily involved with the design and construction of large public sector

accommodation projects. The branch managed the expenditure of approximately \$100 million on 56 projects during the year including significant investments in new courthouses in Brampton, Cornwall, Hamilton, Welland, and Windsor, and jails (Adult Infrastructure Renewal Program) for Milton, Penetanguishene, and Lindsay.

During 1997/98, ORC successfully implemented a user-pay accommodation rental system.

CHARGING FOR ACCOMMODATION

During 1997/98, ORC successfully implemented an accommodation rental system whereby all ministries and schedule 1 and 4 agencies pay rent for the space they occupy.

The rental charge system was introduced in two phases. Phase 1 began on April 1, 1997. It required ministries to pay rent for all third party leased space and for space in 46 market comparable, government-owned buildings. In total, this represented \$276 million in rental charges on approximately 16 million square feet of space.

Report On Operations

Phase 2 was implemented on April 1, 1998. It makes all government properties, including special purpose facilities such as laboratories, jails, hospitals, etc., subject to rental charges in 1998/99.

Moving ORC's accommodation funding allocation to the ministries that occupy the space has created a fundamental shift in accountability. Ministries must now take into account the implications of real estate in their business and program planning.

SALES FROM SURPLUS GOVERNMENT PROPERTIES



Ontario Government Building, Thunder Bay

In 1997/98, ORC sold \$79.5 million worth of surplus government properties. This exceeded its forecast target of \$75.5 million by \$4 million or five per cent, and represented an increase of \$20.2 million, or 34%, from 1996/97 and \$37.9 million, or 91%, from 1995/96. The \$79.5 million figure

was derived from the sale of three categories of surplus government properties: ORC owned properties, Management Board Secretariat properties, and the sale of properties of other ministries and agencies.

ORC's sale of surplus government properties exceeded previous year by 34%.

CORPORATE REPORT

*New Directions***REPOSITIONING ORC AS A CORPORATE
REAL ESTATE SERVICE AGENCY**

In March 1998, Management Board of Cabinet (MBC) approved a new governance relationship for ORC. The 1998 Ontario Budget subsequently confirmed that relationship and announced that ORC will be converted into a publicly-owned, administratively independent agency of the government.



From left, The Honourable Chris Hodgson, Chair of MBC and Joe Mavrinac, Chair, ORC Board of Directors

Memorandum of Understanding signed reflecting new agency relationship between the government and ORC.

Under the new structure, the government, represented by Management Board Secretariat (MBS), will own all government properties and ORC will act as the exclusive agent to MBS for the next five years. In keeping with this change, ORC transferred its ownership of \$1.2 billion of real estate assets to MBS on March 31, 1998. The Chair of MBC and the Chair of ORC's Board of Directors signed a new Memorandum of Understanding to reflect this new relationship.



Ministry of Natural Resources, Peterborough

MBC also approved the direction to change ORC to an arm's-length agency that more closely resembles and operates like a private-sector real estate company.

New Revenue Structure

In keeping with the new strategic direction, ORC's revenue structure will change. In the 1999/2000 fiscal year, revenues will be based solely on fees charged to ministries and agencies for advisory services such as asset management, project management, and real estate transactions. ORC will continue to administer, on behalf of the owner, the delivery of services and rents charged to customer ministries.

Report On Operations

ORC unveiled a new organizational structure that reflects a smaller, more strategically focused Corporation.

In February 1998, ORC unveiled a new organizational structure that reflects a smaller, more strategically focused Corporation. The new organization establishes three

primary operating groups: Strategic Planning, Facility Management, and Project Management; and two support functions: Finance and Administration, and Corporate Relations.

The primary emphasis of ORC will shift from the direct delivery of services to strategic planning to ensure that the long-term needs of customer ministries and agencies are met. The actual delivery of virtually all building services to customer ministries will be done by third parties. The performance of service providers will be measured against three criteria – customer satisfaction, asset preservation, and financial performance.



Courthouse and Registry Office, St. Catharines

In Memorium

ORC was saddened by the death in January 1998, of Dave McHugh, Executive Vice-President of ORC's Property Development Division, after a short but courageous battle with cancer.

Dave was a very special person, combining a high level of technical and managerial skill with an enthusiastic personality and zest for life. Dave loved his work and his colleagues, and was a strong supporter of the new ORC.

He will be missed.

ORC is working to strengthen customer relationships through greater involvement in the annual business planning cycle and improved tenant services. It is also introducing new management information systems that will produce more reliable data and enhance the ability of ORC to carry out more strategic analysis and performance reporting.

Directors



The ORC Board of Directors is responsible for overseeing the management and direction of the Corporation, consistent with the policies of the Ontario government.

The Board is subject to direction from the Chair of the Management Board of Cabinet. Its role is primarily one of stewardship, while the day-to-day business of the Corporation is delegated to its management.

Top, left to right:

James McKellar, Graeme Eadie,
Stephen Lim, Jack Goodwin.

Bottom, left to right:

Ron Vrancart, Joe Mavrinac,
Michael McClew, Ross Rigney.

Absent:

Jay Huckle, Daniel Burns.

Board of Directors

Daniel Burns

Deputy Minister, Ministry of Economic Development, Trade and Tourism. Mr Burns is also a board member with the Ontario Mortgage Corporation and North Pickering Development Corporation.

Graeme Eadie

Executive Vice-President and Chief Financial Officer, Dylex Limited. Mr. Eadie has also held executive positions with Cadillac Fairview Corporation.

Jack Goodwin

President, Davies Goodwin & Associates.

Mr. Goodwin provides property advisory and development services.

Jay Huckle

Counsel, Fasken Campbell Godfrey. Mr. Huckle has a strong background in all aspects of real estate law and headed Fasken Campbell's real estate department for 26 years.

Stephen Lim

President, Stephen Lim & Associates. Mr. Lim is a management consultant specializing in the redevelopment of shopping centres.

Joe Mavrinac

Former Mayor (1980-1997), Town of Kirkland Lake. Mr. Mavrinac has been active representing northern and Ontario interests through his work on the Board and as former President of the Association of Municipalities of Ontario.

Michael McClew

President & Chairman, Xenolith, The Marlow Group. Mr. McClew has directed more than 1,000 real estate assignments for pension funds, insurance companies, banks, trust companies, developers and government.

James McKellar

Associate Dean, York University. Mr. McKellar is Associate Dean, External Relations and Professor and Director of the Program in Real Property Development, Schulich School of Business, York University.

Ross K. Rigney

Mr. Rigney has held a number of positions across Canada for Sears Canada, including Vice President of Public and Government Affairs.

Ron Vrancart

Deputy Minister, Ministry of Natural Resources. Mr. Vrancart has extensive knowledge of Ontario government business and program delivery practices in both the field and head office.

Don King Retires

Don King has stepped down as ORC Board Chair, a position he held since February 1994. Don holds the distinction of being appointed the first Chair of the Board. His knowledge of the real estate business brought fundamental guidance and direction to what was then a new Crown Corporation. Don's contribution to ORC formed a strong foundation on which its future rests.

Community Involvement

ORC is proud of the contributions its staff made in 1997/98 to the well-being of the local communities in which they live and work.

The Ice Storm

ORC staff provided critical support to local communities during the ice storm that ravaged parts of eastern Ontario in the winter of 1998. Thanks to their ingenuity, power to Ontario

government buildings either stayed on or was quickly restored in critical areas. Here are some outstanding examples of service excellence.



Kingston Psychiatric Hospital grounds during the ice storm.

Thanks to cooperation between ORC, local ministries and the City of Kingston, a building on the grounds of the Kingston Psychiatric Hospital was used as an emergency shelter for local residents. The building

received power from a 1,500-kilowatt generator and remained open for several weeks following the storm.

The City also used two other buildings owned by ORC during the storm. A Ministry of Transportation garage complex stored equipment and trucks that were used to re-establish the electrical grid. Another ORC building was used as a distribution centre for food and emergency supplies for local residents in need.

In Kemptville, ORC employees helped establish an emergency shelter on the Agricultural College grounds. They connected a generator to power the W. B. George Building, which became the largest shelter in the area, housing up to 200 people each night for a week.

Community Involvement

Heritage Toronto Awards

On June 9, 1997, ORC received an award from Heritage Toronto in recognition of its outstanding contribution to the preservation of Toronto's history. ORC received the award for repairing and restoring the sandstone and decorative sculptural features on the facade of Osgoode Hall and for sensitive structural repairs to the library's reading room. ORC also received a nomination for its Heritage Significance Study of the Don Jail.



Award of Merit for ORC restorations to Osgoode Hall

Scouts Canada Jamboree

In July 1997, ORC made available the 150-acre Lakehead Psychiatric Hospital site in Thunder Bay for a Scouts Canada Jamboree. The scouts established a massive encampment on the site.



Lakehead Psychiatric Hospital, Thunder Bay during Scouts Canada Jamboree

The event was held over a 10 day period and involved more than 12,000 participants.

MANAGEMENT'S DISCUSSION & ANALYSIS OF OPERATIONS

(\$ thousands)

As mentioned previously in this annual report, on March 31, 1998, the Corporation executed a Realty Asset Transfer Agreement which effectively transferred all its beneficial interests in properties and land to MBS. This transfer is reflected in the financial statements of the Corporation and is fully described in Note 1 to these financial statements and elsewhere in the Annual Report.

The Balance Sheet of the Ontario Realty Corporation as at March 31, 1998 is significantly changed from the comparable balance sheet in the previous year. All realty assets, together with



Tourist Information Office, Thunder Bay

related financial assets such as mortgages and accounts receivable, net of related accounts payable, were transferred to MBS effective March 31, 1998. These assets were transferred at their net book value which approximated market value. In consideration for these assets, MBS

assumed the related accounts payable, accrued liabilities and the loan due to the province, with the balance being treated as a return to the province of the equity previously contributed to the Corporation. Excess cash generated from the operations remained on the Balance Sheet at year end with a corresponding obligation to MBS, as owner of the portfolio (pursuant to the Realty Asset Transfer Agreement).

Management's Discussion & Analysis of Operations

Although the transfer of the assets on March 31, 1998 had a significant impact on the



Ontario Provincial Police Headquarters, Orillia

Balance Sheet of the company, the Statement of Operations and Deficit for the year ended March 31, 1998 reflects the full year's operations of the ORC-owned portfolio.

Rental revenue derived from the portfolio of rental properties increased \$25,047 or 21% from the comparable period in 1997. This was primarily attributable to the inclusion of recoverable property taxes (grants in lieu) on the income properties. In previous years, the sourcing and funding of property taxes was the sole responsibility of the Ministry of Municipal Affairs and Housing.

Operating costs of \$75,787 are \$3,624 or 5% higher than in the previous year for both office and other realty holdings.

Properties under construction or in development in the previous year became fully operational and increased operating costs by \$1,057.



Ontario Forest Research Institute, Sault Ste. Marie

Management's Discussion & Analysis of Operations

The inclusion of property taxes/grants in lieu of \$19,012 as an operating cost and incentive fund payments of \$1,783 also accounted for increases in operating



Head Office, Ministry of Agriculture, Food & Rural Affairs, Guelph

expenses. However, the reclassification of capital repair costs of \$17,761, reported as an operating expenditure in previous years, and a \$468 reduction in the repairs activity from the previous year, offset the operating expenditure increases.

Depreciation expenses were higher in 1997/98 by \$4,425 or 25%. A full year of depreciation was calculated on a number of income properties which were under construction or in development in the previous year amounting to a net increase of \$3,473. The balance of \$952 is a direct result of the sinking fund approach to depreciation which increases the annual charge as the portfolio ages.



Willett Green Miller Centre, Sudbury

Revenue from the sale of ORC properties was up \$7,084 or 17% from the previous year due to an emphasis on selling surplus government properties. The real estate market was generally much stronger in 1997/98 than in previous years which enabled the company to increase its volume as well as its margins on property sales.

Management's Discussion & Analysis of Operations

Cost of sales increased \$2,358 or 6.5% due to higher volumes but the margin on sales improved from 14% in the 1996/97 fiscal year to over 25% in the current year.

Administrative expenses increased from the previous year by \$682 or approximately 12% due to an increase in outside consulting costs incurred primarily to assist the Corporation in its service delivery reorganization.

Net interest income was significantly higher than in the previous year due to an effective program of managing excess cash flow.



Head Office, Ministry of Northern Development & Mines, Sudbury

After a careful review of the carrying values of its land and property inventory, the Corporation determined that a provision for a decline in value was not required in the current fiscal year.

The net result from operations was a net income of \$54,728 compared to a loss the previous year of \$21,911.


Management's Responsibility for Financial Information

The accompanying financial statements of the Ontario Realty Corporation are the responsibility of management and have been prepared in accordance with generally accepted accounting principles consistent with that of a private-sector real estate company.

Management maintains a system of internal controls designed to provide reasonable assurances that the integrity and reliability of financial information is achieved and the assets of the Corporation are appropriately safeguarded.

ORC's Board of Directors, through its Audit Committee, has reviewed and approved the financial statements. The financial statements have been audited by the Provincial Auditor.


 John H. Bell
 President & CEO


 John W. D. Roper
 CFO & Treasurer

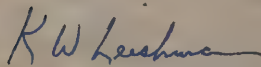
Auditor's Report

To the Ontario Realty Corporation,
 Chair of the Management Board of Cabinet,
 and to the Minister of Finance

I have audited the balance sheet of the Ontario Realty Corporation as at March 31, 1998 and the statements of operations and deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.



K.W. Leishman, CA
 Assistant Provincial Auditor
 Toronto, Ontario
 June 19, 1998

Balance Sheet

As at March 31 (\$ thousands)

	1998 (note 1)	1997
--	------------------	------

ASSETS

Cash	47,405	30,833
Accounts receivable	—	39,830
Mortgages receivable	—	30,911
Properties (note 3):		
Income producing properties	—	847,310
Income producing properties under construction	—	38,677
Properties under development and for sale	—	307,244
	47,405	1,294,805

LIABILITIES AND EQUITY OF THE PROVINCE OF ONTARIO

LIABILITIES

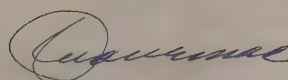
Deposits held in trust	—	2,977
Due to Management Board Secretariat	44,927	
Accounts payable and accrued liabilities	2,478	51,421
Loan payable to the Province of Ontario	—	94,300
	47,405	148,698

EQUITY OF THE PROVINCE OF ONTARIO

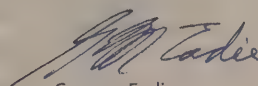
Contributions from the Province of Ontario (note 4)	—	1,485,411
Deficit	—	(339,304)
	—	1,146,107
	47,405	1,294,805

See Notes to Financial Statements

On behalf of the Board:



Joe Mavrinac
Director



Graeme Eadie
Director

ONTARIO REALTY CORPORATION
(A Crown Corporation of the Province of Ontario)

Statement of Operations and Deficit

Year Ended March 31 (\$ thousands)	1998	1997
Income producing properties:		
Rental revenue	144,569	119,522
Operating costs	(75,787)	(72,163)
Depreciation	(21,892)	(17,467)
Income from income producing properties	46,890	29,892
Properties under development and for sale:		
Sales revenue	48,834	41,750
Cost of sales	(38,912)	(36,554)
Income from properties under development and for sale	9,922	5,196
	56,812	35,088
Administrative expenses	(6,537)	(5,855)
Net Interest income	4,453	2,856
Income from operations before provision for loss in value of properties	54,728	32,089
Provision for loss in value of properties (note 5)		
Properties under development and for sale	—	(54,000)
	—	(54,000)
Net income / (loss) for the year	54,728	(21,911)
Deficit, beginning of year	(339,304)	(317,393)
Net income / (loss) for the year	54,728	(21,911)
Transfer to the Province of Ontario (note 1)	284,576	—
Deficit, end of year	—	(339,304)
See Notes to Financial Statements		

Statement of Changes in Financial Position

Year Ended March 31 (\$ thousands) **1998** **1997**

OPERATING ACTIVITIES

Net income / (loss)	54,728	(21,911)
Non-cash items		
Depreciation	21,892	17,467
Provision for loss in value of properties	—	54,000
Other operating assets and liabilities, net change	63,748	41,111
	140,368	90,667

INVESTING ACTIVITIES

Net (increase) decrease in properties	1,171,339	(25,140)
---------------------------------------	------------------	----------

FINANCING ACTIVITIES

Net contributions from the Province	22,301	20,174
Loan repayments	(49,500)	(45,000)
Transfer of debt (note 1)	(44,800)	—
Transfer of Equity (note 1)	(1,223,136)	—
	(1,295,135)	(24,826)

CASH POSITION

Net increase in cash during year	16,572	40,701
(Bank overdraft) cash, beginning of year	30,833	(9,868)

Cash (bank overdraft), end of year	47,405	30,833
------------------------------------	---------------	--------

See Notes to Financial Statements

Notes To Financial Statements

March 31, 1998 (Tabular amounts in \$000's)

GENERAL

The Ontario Realty Corporation (the Corporation) was incorporated under the *Capital Investment Plan Act 1993* as a Crown Corporation of the Province of Ontario (the Province).

On March 3, 1998, Management Board of Cabinet approved the new governance structure of ORC, which includes the following:

- Ownership of all properties by the Corporation to revert to the Management Board Secretariat on March 31, 1998; and on return of the assets, the net book value to the Corporation to revert to nil, the associated debt to be forgiven, and equity contributions from the Province to be reduced by the difference.
- The Corporation to retain full authority for managing the realty assets which are under the control of the Minister/Chair of Management Board of Cabinet, including: strategic planning and advice, facility and asset management, space utilization, acquisitions, capital projects and disposal of surplus assets, as approved in the annual corporate plan.
- The Corporation to become fully self-sustaining, through the charging of appropriate management fees for services based on market rates and industry standards and practices; such fees to be negotiated and approved annually as part of the Corporation's corporate plan.

1. TRANSFER OF ASSETS AND LIABILITIES

In accordance with the new governance model approved by the Management Board of Cabinet on March 3, 1998, the following assets and liabilities were transferred to Management Board Secretariat effective March 31, 1998. However, the cash balance of \$44,927 was not transferred to Management Board Secretariat as at March 31, 1998 and remains in an Ontario Realty Corporation bank account.

ASSETS

Cash	44,927
Accounts receivable	76,051
Mortgages receivable	44,624
Properties (note 3)	
Income producing properties	858,679
Income producing properties under construction	74,212
Properties under development and for sale	271,498
	<u>1,369,991</u>

LIABILITIES AND EQUITY OF THE PROVINCE OF ONTARIO

LIABILITIES

Deposits held in trust	3,752
Accounts payable and accrued liabilities	98,303
Loan payable to the Province of Ontario	44,800
	<u>146,855</u>

EQUITY OF THE PROVINCE OF ONTARIO

Contributions from the Province of Ontario (note 4)	1,507,712
Deficit	(284,576)
	<u>1,223,136</u>
	<u>1,369,991</u>

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. General

These financial statements have been prepared in accordance with generally accepted accounting principles appropriate for a real estate company.

b. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the financial statements and revenues and expenses for the period reported.

In particular, in determining estimates of net recoverable amounts and net realizable values of the Corporation's properties, the Corporation must make assumptions regarding future industry performance and prospects, general business and economic conditions which are expected to prevail and the future use of its properties. Such assumptions are limited by the availability of reliable comparable data and by the uncertainty of predictions concerning future events.

Accordingly, property valuations are subjective and do not necessarily result in precise determinations. Should the underlying assumptions not materialize, the net recoverable amounts and net realizable values could change by a material amount.

c. Carrying Value of Properties

The Corporation has acquired substantially all of its properties from the Province and has established the cost of the properties as the estimated fair market values on the dates of the acquisitions.

Income producing properties are carried at the lower of depreciated cost and net recoverable amount.

Income producing properties under construction are carried at cost. Cost includes development and construction costs, capitalized interest and construction management expenses, less net interim property rents and expenses.

Properties under development and for sale are stated at the lower of cost and net realizable value. Cost includes development and construction costs, capitalized interest and construction management expenses, less net interim property rents and expenses.

d. Revenue Recognition

Revenue and earnings from income producing properties under construction are recognized at the earlier of achieving an occupancy level of 80% or one year after substantial completion.

Revenue from the sale of properties is recognized at the time of sale when all material conditions have been fulfilled and the appropriate cash down payment has been received.

e. Depreciation

Special purpose structures are depreciated on the straight line basis over the lower of 25 years and the estimated useful life of the building. All other income producing properties are depreciated under the sinking fund method over the remaining useful life in a series of annual installments compounded at the rate of 5% per annum.

Notes to Financial Statements

3. PROPERTIES - Related Party Transaction

a. Income Producing Properties

	1998	1997
Balance, beginning of year	847,310	554,787
Acquisitions / transfers in	33,261	309,991
Accumulated depreciation	(21,892)	(17,468)
Transfer to Province of Ontario (note 1)	(858,679)	—
Net book value, end of year	—	847,310

b. Income Producing Properties Under Construction

	1998	1997
Balance, beginning of year	38,677	311,796
Transfers to income producing properties	—	(307,066)
Development and construction costs	35,230	33,244
Capitalization of:		
Construction management expenses	305	703
Transfer to Province of Ontario (note 1)	(74,212)	—
Balance, end of year	—	38,677

Estimated costs to complete income producing properties under construction at March 31, 1998 amount to approximately \$44,611.

c. Properties Under Development and for Sale

	1998	1997
Balance, beginning of year	307,244	372,975
Development & construction costs	8,379	15,243
Capitalization of:		
Interest	6,457	11,151
Construction management expenses	5,129	4,507
Net interim property rents and expenses	(4,709)	(6,078)
Transfers from / (to) income producing properties	(10,591)	—
Transfer of land to MBS	(1,500)	—
Costs of properties sold	(38,911)	(36,554)
Provision for loss in value (note 5)	—	(54,000)
Transfer to the Province of Ontario (note 1)	(271,498)	—
Balance, end of year	—	307,244

Committed development and construction cost on properties under development and for sale at March 31, 1998, amount to approximately \$6,038.

4. CONTRIBUTIONS FROM THE PROVINCE OF ONTARIO - Related Party Transaction

	1998	1997
Balance, beginning of year	1,485,411	1,465,237
Contributions during the year for:		
Property development and construction costs	36,612	36,768
Expenditures made by the Corporation on behalf of the Province	(14,311)	(16,594)
Transfer to the Province of Ontario (note 1)	(1,507,712)	—
Balance, end of year	—	1,485,411

5. PROVISION FOR LOSS IN VALUE OF PROPERTIES

a. Income Producing Properties

During the year ended March 31, 1996 the Corporation undertook a review of the net carrying amounts and the net recoverable amounts of these assets, amounts which were based on market comparable costs and revenues. The review also took into consideration the stated intention of the Province to continue to occupy these buildings in meeting their long term accommodation needs and to continue to pay rent. The Province also provided the Corporation with assurances that it will meet its lease payment obligations.

As a result of this review, in the year ended March 31, 1996, the Board of Directors approved the establishment of a provision of approximately \$187 million. The Corporation has reviewed its portfolio of assets in the year ended March 31, 1998 and determined that no additional provision is required.

b. Properties Under Development and for Sale

To comply with the Corporation's policy whereby properties under development and for sale are stated at the lower of cost and net realizable value, the Corporation has reviewed its portfolio of assets. No additional provision is required for March 31, 1998 (1997 - \$54,000).

6. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of accounts receivable, deposits held in trust and accounts payable and accrued liabilities approximate the carrying values, due to the short term nature of these financial instruments.

At March 31, 1998 the fair value of mortgages receivable, that are transferred to the Province, approximates its carrying value due to the near term maturity dates of the mortgages.

7. PENSION PLAN

The Corporation provides pension benefits for all its full-time employees through participation in the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees' Union (OPSEU) Pension Fund established by the Province.

The Corporation's required contributions related to the pension plans for the year ended March 31, 1998 were \$839 (1997 - \$891) and are included in the Corporation's financial statements.

8. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with the current year's presentation.

Corporate Directory

President and Chief Executive Officer John H. Bell	Executive Vice-President, Property Management Division Ken Bauman
Chief Financial Officer John Roper	Vice President, Leasing Services Alex Way
Executive Vice-President, ORC Transition Rob Lowry	Vice President, GTA Facilities Norm Guillemette
Vice-President, Business Development Joyce Barretto	Director of Facilities, Eastern Region Erwin Massiah
Vice-President, Corporate Relations Jim Cassimatis	Director of Facilities, Northern Region Hubert Labelle
Vice-President, Design Services Gil Boeckler	Director of Facilities, Southwestern Region Frank Raposo
Vice-President, Real Estate Barry Crowe	
Vice-President, Project Development Gunars Laivenieks	

Public Sector Salary Disclosure

The *Public Sector Salary Disclosure Act* requires organizations that receive public funding to disclose annually the names, positions, salaries and taxable benefits of employees paid \$100,000 or more a year. All employees who earned greater than \$100,000 in 1997, as disclosed on their T4, are reported. The information for the Ontario Realty Corporation is reported as follows:

Name	Position	Salary	Taxable Benefits
Ken Bauman	Executive Vice-President Property Management	\$127,600	\$312
Ann Gabriel	Director, Service Ontario, Ministry of Transportation	\$100,565	\$247
Joseph Lee	Senior Structural Engineer	\$120,320	\$217
Robert Lowry	Executive Vice-President	\$125,217	\$314
David McHugh	Executive Vice-President Property Development	\$104,815	\$276
Jean McLeod	Assistant Deputy Minister Service Ontario, Ministry of Transportation	\$130,895	\$308
Baldev Nayyar	Senior Consultant, Civil	\$126,031	\$246
Peter Slater	Vice President, Transition	\$111,384	\$235

Office Locations

Corporate Head Office

77 Wellesley Street West, 11th Floor, Ferguson Block
Toronto, Ontario M7A 1N3
Tel. (416) 327-3937 Fax (416) 327-3942
Toll Free: 1-877-8-NEW-ORC (1-877-863-9672)

GTA Regional Office

625 Church Street, 3rd Floor
Toronto, Ontario M4Y 2G1
Tel. (416) 327-9555
Fax (416) 327-9554

Northern Regional Office

3767 Highway 69 South, 2nd Floor, Suite 2
Sudbury, Ontario P3G 1E4
Tel. (705) 564-7500
Fax (705) 564-7570

Eastern Regional Office

14 Gable Lane, South Cottage
Kingston, Ontario K7M 9A7
Tel. (613) 545-0386
Fax (613) 530-4567

Southwestern Regional Office

1 Stone Road West, 4th Floor SW
Guelph, Ontario N1G 4Y2
Tel. (519) 826-3182
Fax (519) 826-3330

Inquiries

General Inquiry: (416) 327-3937 Fax (416) 327-3942
Toll Free: 1-877-8-NEW-ORC (1-877-863-9672)
Properties for sale: (416) 585-7010
Construction activities: (416) 327-3247

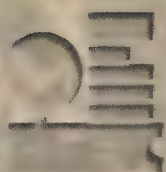
Internet Address

www.ontariorealty.on.ca

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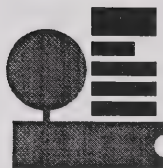
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Ontario
Realty
Corporation

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Communities
Partnerships



Ontario Realty Corporation Annual Report 1998/99

ORC's Corporate Head Office is located at:

77 Wellesley Street West,
11th Floor, Ferguson Block
Toronto, Ontario M7A 1N3

Tel. (416) 327-3937

Fax (416) 327-3942

Toll Free: 1-877-8-NEW-ORC (1-877-863-9672)



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Corporate Profile

The Ontario Realty Corporation (ORC) is a crown corporation whose mandate is to successfully manage the province's complex and diverse real estate assets, while supporting government initiatives. The corporation focusses its efforts on reducing costs and maximizing revenues through its four primary lines of service:

- facilities management
- real estate services
- project management of construction activities
- portfolio management

ORC operates as an agency of the Management Board Secretariat and is governed by a Board of Directors who are subject to direction from the Chair of Management Board of Cabinet.

ORC is responsible for a portfolio of real estate assets consisting of approximately 49.2 million square feet of rentable space. The core portfolio consists of about 8.3 million square feet, which is leased from private sector landlords through approximately 1,000 lease agreements, and 40.9 million square feet of government-owned space. The four largest users of space are the Ministries of Health, Attorney General, Community and Social Services, and Solicitor General and Correctional Services.

The corporation's corporate head office is located in Toronto. It is in the process of transforming from a geographically decentralized agency that provides operational services to a smaller, more consolidated and strategically focussed service.

Business Highlights

The business and goals of ORC fall into two distinct categories: the planning and management of the portfolio of properties held by Management Board Secretariat (MBS); and establishing the corporation's internal infrastructure and focussing on achieving operational and financial independence. The Business Highlights and Report on Operations in this annual report are written to coincide with these two categories to clearly differentiate which activities relate to the MBS portfolio and which are ORC corporate functions.

Portfolio Highlights

- Achieved operating costs per square foot of \$6.00 for office space, comparable with the performance of private sector real estate companies.
- Continued to implement the Ontario government's \$31.9 million Adult Infrastructure Program for correctional facilities.
- Generated a record \$109.5 million in revenue from the sale of surplus real estate assets.

Corporate Highlights

- Adopted a new mandate focussing on the disposition of surplus real estate assets while continuing to manage core government assets with the goal of achieving high professional standards and customer satisfaction.
- Tendered the day-to-day operations of its facility and land management services – the largest outsourcing of real estate operations ever conducted in Canada.
- Established a new organizational structure to support the new mandate and commenced recruiting.


Chair's Statement

We have emerged from a strong year in 98/99 with a very clear mandate – optimizing value for the taxpayers of Ontario with a strategic focus on revenue generation through sales of surplus real estate assets while achieving high professional standards in the management of core government assets.

In pursuing this mandate, we took further steps during the 98/99 fiscal year to streamline our operations – restructuring to enhance efficiencies, and outsourcing facility and land management services.

While proceeding with restructuring and focussing our mandate and mission in 98/99, we achieved a great deal: record real estate sales of over \$100 million and operating costs of \$6.00 per square foot – in line with private sector property managers.

Among the most important achievements of the Board in 98/99 was the recruitment of a new CEO who will lead us forward in a new era. Tony Miele is a seasoned real estate executive who has both the experience and the vision to transform the ORC into the best real estate company in Canada, for the benefit of the people of Ontario.



Joe Mavrinac
Chair, Board of Directors


President's Remarks

I am pleased to have recently joined the Ontario Realty Corporation and am very excited about its future. My role is to look forward, at a time when the ORC is moving forward at an extraordinary pace. We are undergoing a sea change in our transformation into a strategically focussed company.

The ORC is responsible for an exceptional portfolio of real estate assets, and we can do a great deal more to optimize value for Ontario. We have the opportunity to help generate revenues that can be reinvested in vital programs for the people of Ontario — programs such as health care and education — that enhance the quality of life in our province. We have slated \$600 million in real estate assets for disposition over the next three years – amounting to 11% of the current ORC portfolio. These are non-core assets, surplus to the needs of the Government and its agencies. We aim to achieve full and fair market value for these assets.

Part of the process of rationalizing the portfolio is to rationalize our own operations and operate at a higher level of professionalism at the ORC. We are achieving this by restructuring and outsourcing as well as by instituting new checks and balances in our sales and management processes to ensure we deliver full value to the people of Ontario. This challenging process began in 98/99 and will accelerate. Through this process, we are focussed on reducing operating costs – at ORC and at the facilities we manage – again, benefiting the taxpayer.

As we move forward, our fundamental operating principles are clear: professionalism, transparency, and accountability. We understand the challenges ahead, and we are focussed on the opportunities of creating value for all our stakeholders.



Tony Miele
President and CEO

Report on Operations

The ORC has four primary lines of services:

- facilities management
- real estate services
- project management of construction activities
- portfolio management

Facilities Management

On April 1, 1997, ORC successfully implemented Phase 1 of an accommodation rental system – Charging for Accommodation (CFA) – whereby all ministries and schedule 1 and 4 agencies paid rent for the space they occupied. Phase 1 focussed on leased locations and a select group of government-owned facilities.

On April 1, 1998, the second and final phase was introduced to include all chargeable properties in the portfolio, including special purpose facilities such as jails, hospitals and laboratories. CFA has fundamentally shifted the accountability in the use of space from the ORC to the ministries. Ministries must now take into account the implications of real estate in their business and program planning.

ORC is committed to providing leadership in making all owned and leased buildings, regardless of who has operating authority, Year 2000 compliant. ORC's priority is to prevent buildings where mission critical programs are run by ministries from failing on January 1, 2000.

ORC moved quickly on a number of fronts to ensure buildings that support all mission and business critical government programs are Y2K ready. First, ORC conducted comprehensive surveys of all owned properties which support mission and business critical programs. Second, three full-time staff monitored Y2K readiness in leased facilities. Third, ORC established a Y2K Facility Systems Help Desk to support our readiness efforts. The ORC has also developed plans to establish a Response centre to address all Y2K building systems concerns over critical rollover periods. Finally, a roster of qualified vendors was established to provide Y2K support, testing and remediation services to ministries, agencies and the broader public sector.

As the government continued to provide the public with improved access to government services, the ORC actively participated on a multi-ministry project team to design and install Government Information Counters. In total, 58 locations across the province were constructed.

Real Estate Services

ORC set a new sales record for 1998/99 of \$109.5 million. This is also a record increase in sales of almost 38% over the 1997/98 sales revenue of \$79.5 million. The sales were derived from properties owned by Management Board Secretariat as well as by other ministries and agencies. Other real estate activities included the expropriation of lands for the eastern and western extensions of Highway 407 and the Home Owner Employee Relocation Program which moved 359 employees with residential properties valued in excess of \$40 million.

ORC continued to meet its Class Environmental Assessment obligations by reviewing all sales prior to closing to ensure that the transfer does not result in a negative impact on the environment. Annual Summary Reports must be submitted on an annual basis to the Ministry of the Environment. This report appears on page 14.

Project Development Branch

Project Development Branch continued to manage the major construction activities of the Government of Ontario. The branch managed the expenditure of approximately \$142 million on 57 projects during the year. Major projects involved courthouses in Hamilton, Brampton, and Windsor and correctional facilities in Milton, Penetanguishene and Lindsay.

1998/99 ANNUAL PLAN Project Development Branch \$ (Millions)

Program	No. of Projects	Project Costs	Expenditure 98/99
Courts	16	291.1	70.2
Jails	8	346.1	31.9
Other Major	2	25.5	8.4
LHI/Alterations	6	19.4	8.5
Repairs	25	53.6	23.0
Total	57	735.7	142.0

The branch also developed office environment strategies as a tool to assist the government in achieving its goal of a more productive and effective work environment. The strategies will be presented to the government for approval in 1999/2000.

Portfolio Report

Portfolio Management

Business Development Branch fulfilled its corporate support services role by providing strategic and portfolio management advice, financial and investment analysis, and policy review and development in order to manage the government's real estate portfolio. The Branch continued to develop portfolio plans, including consolidation proposals and divestment strategies in support of the corporation's Portfolio Rationalization Program and other government initiatives such as the Regional Service Delivery Restructuring Project.

The branch reviewed 340 surplus government properties prior to disposal under the Realty Asset Disposal Process and made recommendations on the realty impacts of over 20 submissions to Management Board of Cabinet (MBC) by ministries. In addition, the Branch played a key role in the update of the MBC Real Property and Accommodation Directive, ensuring that ORC's new mandate is supported and the efficient, effective and economical management of the province's real estate assets is maintained.

Corporate Report

New Mandate

The restructuring of the corporation continued with the introduction of a new mandate adopted by the Board of Directors. The fundamental purpose of ORC is to successfully manage the province's complex and diverse real estate assets, while supporting government initiatives. ORC will continue to manage core government assets with the goal of achieving high professional standards and customer satisfaction.

New Organizational Structure

To support the new mandate, the Board of Directors approved a new organizational structure that will see a smaller, more integrated agency focussed primarily on the disposition of real estate and on the management of the private sector service providers for facility and land management services. The new ORC, in the long term, will be comprised of some 150 staff.

Corporate Profile

Alternative Service Delivery

In the summer of 1998, ORC tendered the most comprehensive outsourcing of real estate operations ever conducted in the country. ORC's objectives were to achieve savings in its day-to-day building operations and in its management of the large land banks of properties held by the province currently done by its own staff.

Requests For Proposals were issued dividing the province into four regions for the facility management contracts: Northern, Eastern, Southwestern and the Greater Toronto Area. Another Request For Proposals was issued for the land management contract.

The result was great interest from members of the real estate industry who submitted bids for each of the five contracts. In the end, ProFac Facilities Management Services Inc. was successful in all four facility management contracts. Because of the limitation that a firm can only win a maximum of two contracts, ProFac selected the GTA and Southwestern Regions as their preferred contracts. The second placed firm for both the North and Eastern Regions were not affordable and hence ORC cancelled the Requests For Proposals with the view to reissuing the two regions in revised Requests For Proposals with the objective of restructuring the scope and costs of the contracts.

Del Management Solutions Inc. was awarded the contract to manage the province's major land bank holdings.

Reaching Out

The corporation was active in introducing a number of vehicles to enhance communications between it and its major stakeholders: ministries, MPPs and the general public.

A web site was launched in July 1998 which provided a listing of surplus properties for sale as well as updates to its outsourcing and procurement activities. A monthly fax newsletter to customer ministries was also launched; its circulation was eventually broadened to include all MPPs.

Upon request, ORC started producing property profiles of various regions or communities outlining the Province's owned and leased portfolio within a requested jurisdiction. Finally, ORC established a toll-free bilingual inquiry service for the public and MPPs.

Management's Discussion and Analysis of Operations

The fiscal year ending March 31, 1999 was the first fiscal year the Corporation operated without the ownership of realty assets. Lands and building were returned to Management Board Secretariat as of March 31, 1998. Under a services agreement, the Corporation retained full authority for managing the realty assets including: strategic planning and advice, facility and asset management, space utilization, acquisitions, capital projects and disposal of surplus assets.

The Corporation's year-end revenues were \$64,715,000. Revenues were derived from five sources: management fees paid by Management Board Secretariat (MBS) for facility management and lease administration services; direct recoverable costs associated with the provision of building operating and repair services; expense reimbursement (in lieu of fees), paid by MBS for portfolio planning, real estate, technical and project management services and bank interest on deposits. The Corporation incurred \$63,770,000 in operating administration expenditures over the reporting period. Approximately 68% of the total expenditures is for salaries and benefits. Included in the salaries and benefits is \$2,642,000 in salaries for temporary staff. Pending the Corporation's reorganization and out sourcing of facility and land management services, planned for 1999-00, temporary staff are being utilized to fill critical administrative positions on a short term basis.

The Corporation purchased from MBS: accounting, human resources, audit, information and data processing, legal and communication services totaling \$6,944,000.

As part of the \$12,880,000 direct operating expenditures, \$5,066,000 in rent was paid to MBS under a chargeback agreement for space occupied by ORC in government owned and leased properties.

In the direct operating expenditures is \$3,849,000 for transition costs and the acquisition and development of a new information technology system. The system will support ORC in its new role as a portfolio and asset manager. The new system is critical to the effective management of the government real estate assets and the integration of cost and asset inventory data between ORC and its private sector service providers.

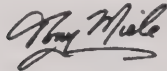
The Corporation changed its method of accounting for capital assets, from expensing them when purchased to capitalizing and amortizing them over their estimated useful lives. The effect of these changes has increased capital assets by \$650,000 as at March 31, 1999 and decreased net income for the current period by \$325,000.

Management's Responsibility for Financial Statements

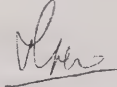
The accompanying financial statements of the Ontario Realty Corporation are the responsibility of management and have been prepared in accordance with generally accepted accounting principles consistent with that of a private sector real estate company.

Management maintains a system of internal controls designed to provide reasonable assurances that the integrity and reliability of financial information is achieved and the assets of the corporation are appropriately safeguarded.

On June 24, 1999, ORC's Board of Directors reviewed and approved the financial statements. The financial statements have been audited by the Provincial Auditor of Ontario.



Tony Miele
President and CEO



John Roper
CFO and Treasurer

Auditor's Report

To the Ontario Realty Corporation,
Chair of the Management Board of Cabinet,
and to the Minister of Finance

I have audited the balance sheet of the Ontario Realty Corporation as at March 31, 1999 and the statement of operations and retained earnings for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1999 and the results of its operations for the year then ended in accordance with generally accepted accounting principles.



Toronto, Ontario
June 16, 1999

Erik Peters, FCA
Provincial Auditor

Balance Sheet

As at March 31 (\$ thousands)

ASSETS

Cash	9,960
Capital Assets (Note 3)	650
Future Recoveries from Management Board Secretariat (Note 6)	25,700
	<hr/>
	36,310

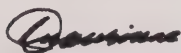
LIABILITIES AND RETAINED EARNINGS

Liabilities

Accounts payable and accrued liabilities	9,665
Provision for Severance Costs (Note 6)	25,700
RETAINED EARNINGS	945
	<hr/>
	36,310

See Notes to Financial Statements

On behalf of the Board:




Joe Mavrinac
Chair

Statement of Operations And Retained Earnings

Year Ended March 31, 1999	(\$ thousands)	1999
REVENUES		
Management fees		16,678
Expense reimbursement (in lieu of fees)		27,536
Direct recoverable costs		19,927
Bank interest		574
		<hr/> 64,715 <hr/>
EXPENDITURES		
Salaries and benefits		43,621
Direct operating expenditures		12,880
Administrative expenses (Note 2)		6,944
Depreciation		325
		<hr/> 63,770 <hr/>
NET OPERATING SURPLUS BEFORE SEVERANCE COSTS		945
Future Recoveries from Management Board Secretariat (Note 6)		25,700
Provision for Severance Costs (Note 6)		(25,700)
NET OPERATING SURPLUS		<hr/> 945 <hr/>
RETAINED EARNINGS, BEGINNING OF YEAR		<hr/> 0 <hr/>
RETAINED EARNINGS, END OF YEAR		<hr/> 945 <hr/>

See Notes to Financial Statements

On behalf of the Board:



Joe Mavrinac
Chair

Notes to Financial Statements

March 31, 1999 (Amounts in \$000's)

Nature of the Corporation

The Ontario Realty Corporation (the Corporation) was incorporated under the Capital Investment Plan Act 1993 as a Crown Corporation of the Province of Ontario (the Province).

On March 3, 1998, Management Board of Cabinet approved the new governance structure of ORC, which included the following:

- Ownership of all properties by the Corporation reverted to the Management Board Secretariat on March 31, 1998; and on return of the assets, the net book value to the Corporation reverted to nil, the associated debt was forgiven, and equity contributions from the Province was reduced by the difference.
- The Corporation retained full authority for managing the realty assets which are under the control of the Minister/Chair of Management Board of Cabinet, including: strategic planning and advice, facility and asset management, space utilization, acquisitions, capital projects and disposal of surplus assets, as approved in the annual corporate plan.
- The Corporation is to become fully self-sustaining, through the charging of appropriate management fees for services based on market rates and industry standards and practices; such fees to be negotiated and approved annually as part of the Corporation's corporate plan.

ORC, on behalf of Management Board Secretariat (MBS), manages space accommodating Ministries' programs across the province. Under the province's Charging For Accommodation program, it manages 49.2 million rentable square feet, 40.9 million owned by MBS, and 8.3 million leased from the private sector at locations across the province. In addition to managing MBS's assets, the Corporation provides project management, real estate and property management services to other ministries and agencies of the Ontario government that directly own assets or require the Corporation's services.

As a Crown Corporation and service organization of the Ontario Government the Corporation is exempt from income taxes.

1. Summary of Significant Accounting Policies

a) General

These financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Canadian Institute of Chartered Accountants.

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions relating to revenues, and expenses which affect the reported amounts of assets, liabilities and related disclosures as of the date of the financial statements. Actual amounts could differ from these estimates.

b) Capital Assets

Capital assets in excess of one thousand dollars with a future useful life beyond the current year are capitalized and are amortized on a straight line basis according to their estimated useful lives as follows:

Asset	Rate
Personal computer equipment	3 years
Server software/operating systems	3 years

2. Related Party Transactions

In addition to the cash reflected on the balance sheet, the Corporation maintains two other bank accounts, an operating account and capital reserve account. Funds in these accounts are held "in trust" on behalf of MBS and relate directly to the operation of MBS owned and leased properties or services provided to other ministries or agencies of the Ontario government. As of March 31, 1999 the cash balances of the operating and capital reserve accounts were \$24,344 and \$27,556 respectively.

The Accounts Payable includes \$6,000 payable to MBS.

Administrative expenses include: accounting, human resources, audit, information and data processing, legal and communication services purchased from MBS.

The Corporation is economically dependant on the Province as all of the revenues received from the Province for the provision of services are under the control of the Minister/Chair of Management Board of Cabinet.

3. Capital Assets

Capital assets consists of the following:

	March 31, 1999		
	Cost	Accumulated Depreciation	Net Book Value
Server software / operating system	727	242	485
Personal Computer Equipment	248	83	165
Total:	975	325	650

Certain capital assets are not reflected in the financial statements as they are provided at no charge to the Corporation by MBS.

4. Lease Commitments

The Corporation has entered into a number of operating leases both for private sector and government owned office space to conduct its business. Future lease payments are as follows:

For the year ending March 31

2000	\$2,528
2001	\$1,573
2002	\$1,604
2003	\$1,636
2004	\$553
Thereafter	\$2,934
Total:	\$10,828

5. Contingencies

The Corporation is acting as an agent of the Ontario Government. As such, the Corporation is entitled to be indemnified against all liabilities properly incurred in the course of exercising its actual authority on behalf of the Ontario Government.

6. Severance Costs

During fiscal 1999, the Corporation approved a new organizational structure. When completed, it is estimated the Corporation will incur \$25,700 in staff severance costs associated with its reorganization and the contracting out of its facilities and land management services. All associated severance costs will be funded directly by MBS.

7. Year 2000

The Year 2000 issue arises from the fact that many computer systems express years by using two digits rather than four, with the assumption that the first two digits are always "19". Such systems, if not modified or replaced, could misinterpret the year before and after January 1, 2000 (i.e. read "00" as the year 1900 rather than the Year 2000). The results could range from miscalculations to system failure which could affect the corporations ability to conduct normal business activities.

The Corporation is reviewing its corporate systems in order to assess these potential risks however, due to the general uncertainty inherent in the Year 2000 issue, resulting in part from the uncertainty of the Year 2000 readiness of other parties, the Corporation is unable to determine at this time whether the Year 2000 issue will have a material and adverse impact on the Corporation's results of operations, liquidity and financial condition.

8. Pension Plan

The Corporation provides pension benefits for all its full-time employees through participation in the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees' Pension Fund (OPSEU Pension fund) established by the Province.

The Corporation's required contributions related to the pension plans for the year ended March 31, 1999 were \$2,190 and are included in the salaries and benefits in the Statement of Operations and Retained Earnings.

9. Comparative Figures

Comparative figures are not provided, because of the significant changes in the Corporation's operations and therefore inclusion of the fiscal 1998 comparisons would not provide any additional useful information.

10. Statement of Cash Flows

A statement of cash flows was not prepared as the information which it would contain is readily available from these financial statements.

Annual Summary Report to the Ministry of the Environment

ORC is committed to complying with the Environmental Assessment Act and to public consultation on issues affecting the environment. For all of its real estate activities in 1998 / 99, ORC followed the MBS Class Environmental Assessment Process (Class EA).

The MBS Class EA offers ORC blanket approval for all activities within a defined class if the ORC complies with the conditions of the Process. Though it is self-regulating, the Class EA has the force of law for ORC.

In 1999, following a review of activities at MBS, the Environmental Commissioner of Ontario presented its Annual Report to the House. ORC responded to the ECO's concerns, successfully defending its record of environmental due diligence.

In response to issues raised by the Environmental Commissioner, MBS committed ORC to the following initiatives:

- Posting an information notice of the ORC Corporate Plan (which includes lands to be marketed) on the Environmental Bill of Rights Registry.
- Including references to EBR legislation in the revisions to the MOU and future service agreement between MBS and ORC.
- Posting the Real Property Directive on the EBR Registry.
- Posting criteria for identifying surplus lands on the EBR Registry for Public review and comments when they are drafted.
- Including its Annual Summary Report to MOE in ORC's annual reports for a higher public profile. (Note: the 1998 / 99 report was not ready at press time. For more information contact: William Gerrard, Environmental / Cultural Heritage Coordinator, at 416 585-7144).
- Ensuring all Consultation and Documentation Records related to sales of government property are available to the public.
- Updating the MBS Statement of Environmental Values (SEV) to reflect 1999/2000 Business Plan.

Public Sector Salary Disclosure

The Public Sector Salary Disclosure Act requires organizations that receive public funding to disclose annually the names, positions, salaries and taxable benefits of employees paid \$100,000 or more a year.

All employees who earned greater than \$100,000 in 1998, as disclosed on their T4, are reported. The information for the Ontario Realty Corporation is reported as follows:

Name	Position	Salary	Taxable Benefits
Kenneth Bauman	Executive Vice President, Property Management Division	\$137,017	\$351
John Bell	President and CEO	\$221,138	\$0
Manfred Gitt	Senior Consultant, Interior & Office Design, Design Services Branch	\$108,902	\$89
Robert Lowry	Executive Vice President, ORC Transition	\$141,329	\$351
Baldev Nayyar	Senior Consultant, Civil Engineering, Design Services Branch	\$109,712	\$225

Corporate Directory

BOARD OF DIRECTORS

ORC's Board of Directors is responsible for overseeing the management and direction of the corporation, consistent with the policies of the Ontario government. The Board is subject to direction from the Chair of the Management Board of Cabinet. Its role is primarily one of stewardship, while the day-to-day business of the corporation is delegated to its management.

Joe Mavrinac	Chair, ORC Board of Directors. Mr. Mavrinac was mayor of Kirkland Lake from 1980 to 1997. Mr. Mavrinac has been active representing northern and provincial interests through his work on the Board and as a former President of the Association of Municipalities of Ontario.
James McKellar	Vice Chair, ORC Board of Directors. Associate Dean, External Relations and Professor and Director of the Program in Real Property Development, Schulich School of Business, York University. Prior to joining York University he was founding director of the Centre for Real Estate at the Massachusetts Institute of Technology.
Daniel Burns	Deputy Minister, Ministry of Economic Development, Trade and Tourism. Mr. Burns is also a board member with the Ontario Mortgage Corporation and the North Pickering Development Corporation.
Jack Goodwin	President, ENA Realty Group Limited. Mr. Goodwin is responsible for the overall property management and redevelopment of the company's five community shopping centres.
Stephen Lim	President, Stephen Lim and Associates. Mr. Lim is a management consultant specializing in the redevelopment of shopping centres.
Ross Rigney	Reeve, Township of Snowden. Mr. Rigney held a number of positions across Canada for Sears Canada, including Vice President of Public and Government Affairs.
Ron Vrancart	Deputy Minister of Natural Resources. Mr. Vrancart has extensive knowledge of Ontario government business and program delivery practices in both the field and head office.

Inquiries

General Inquiry: (416) 327-3937

Fax: (416) 327-3942

Toll Free: 1-877-8-NEW-ORC (1-877-863-9672)

Properties for Sale: (416) 327-3543

Construction Activities: (416) 327-3247

Internet Address: www.orc.on.ca

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Government
Publications

ANNUAL REPORT

1999 / 2000



BUILDING A PROFESSIONAL,
TRANSPARENT AND ACCOUNTABLE ORGANIZATION

ONTARIO REALTY CORPORATION

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APPENDIX – Annual Summary Report of Undertakings
subject to the MBS Class EA for
Realty Activities for Fiscal Years
1998/99 and 1999/2000 enclosed.



CORPORATE PROFILE

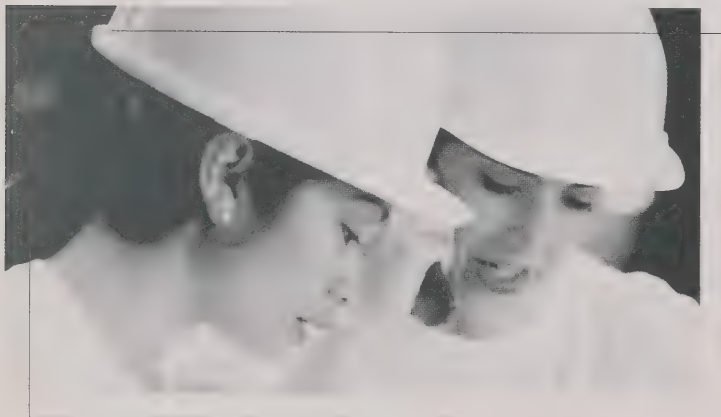
THE ONTARIO REALTY CORPORATION was established in November 1993, as a crown agency under the Capital Investment Plan Act. The corporation delivers accommodation and realty services to ministries and agencies of the Ontario Government. Operating as an agency of the Management Board Secretariat, ORC has a clear line of accountability: the President and Chief Executive Officer is responsible to the Board of Directors which, in turn, is accountable to the Chair of the Management Board of Cabinet. ORC's government-appointed Board of Directors reflects a depth of public and private sector experience and expertise.

ORC manages, on behalf of the government, approximately 52 million sq. ft. of owned and leased space and a vacant land portfolio of approximately 59,000 acres. The head office of ORC is located in Toronto. The corporation currently operates with 324 full-time equivalent staff (as of March 31, 2000). In 1999/2000, ORC operated through two core operating divisions – Real Estate and Sales and Facility Management Services – with the functional departments of Finance,

Administration & IT, Corporate Relations & Public Affairs and Legal Services.

- **REAL ESTATE AND SALES:** This Division is primarily responsible for the asset rationalization, review, acquisition and disposition of government real estate assets. Following restructuring in fiscal 1999/2000, this Division includes Real Estate Planning – the strategic analysis and rationalization of all assets in the portfolio; Property Review – inventory maintenance of survey and title information along with the physical preparation aspects of the due diligence process for assets to be sold; and Real Estate Sales – the acquisition of property for government program delivery and the marketing and disposition of real estate assets in an open, transparent and accountable manner.

The former Business Development Branch fulfilled its corporate support services role in 1999/2000 by providing strategic and portfolio management advice, financial and investment analysis, and policy review and development in order to manage the government's real estate portfolio. These activities have been transferred to the Real Estate Planning group. In addition, Business Development Branch provided support to ORC's Board of Directors through the Corporate Secretary role. This function was re-distributed to Legal Services as part of the corporation's restructuring.



- **FACILITY MANAGEMENT SERVICES:** This Division is responsible for the management of the accommodation portfolio, consisting of both government owned and leased space for provincial ministries and agencies and is the primary customer contact for any local facility requirements or planning issues. During 1999/2000, the focus of this Division moved from direct delivery of services to the management of service contracts to ensure a high level of performance and customer satisfaction. It also includes the "Charging for Accommodation" (CFA) program whereby government ministries and other provincial organizations are charged rent for the space they use. Included in this Division is Project Development Branch, which manages capital programs on behalf of client ministries, coordinates all technical consulting contracts and acquires and manages other specialized consulting services.
- **FINANCE, ADMINISTRATION & IT:** This Department is responsible for the financial support services for ORC and is the main liaison between MBS and ORC for financial reporting purposes. ORC's Information Technology unit develops and implements effective management information systems that support ORC's business processes.



MANDATE

The fundamental purpose of ORC is to ensure the commercially-oriented, orderly disposition of Provincial real property to maximize value for the Ontario taxpayer, and the management of core government assets with the goal of achieving high professional standards and customer satisfaction.

- **CORPORATE RELATIONS & PUBLIC AFFAIRS:**

This Department provides support to the ORC Board of Directors and senior management, and is responsible for media relations, internal and external communications, public liaison and for proactively increasing the profile of the corporation with the industry, customers and the public. It maintains a close working relationship with MBS through the Minister's office. This Department also oversees the freedom of information and protection of privacy function for the corporation.

- **HUMAN RESOURCES:** Throughout 1999-2000, this function was provided to ORC by MBS under a service agreement. With the full implementation of ORC as an Operational Enterprise Agency in 2001-2002, ORC's human resources framework will be developed and a department will be created that will implement and maintain ORC's human resource policies and guidelines; manage the recruitment process in the new ORC; and support the continuous development of ORC's team of professionals.

- **LEGAL SERVICES:** Throughout much of 1999/2000, ORC contracted MBS – through a service agreement – to provide the management and delivery of all legal services in support of ORC's daily real estate business and litigation matters, including legal counsel on a variety of corporate, commercial and real estate matters.

"At ORC, our vision is clear. To achieve our mandate and maximize value for the taxpayers of Ontario, we must become a truly outstanding corporation. And we are reshaping the corporation accordingly."

- Tony Miele, President and CEO



CHAIRMAN'S MESSAGE

TRANSFORMING THE ONTARIO REALTY CORPORATION

At the beginning of fiscal 1999/2000 and after an extensive search process, ORC's newly structured Board appointed Tony Miele as CEO and directed him to transform the ORC into a professional, accountable, and transparent organization capable of achieving its mandate and of supporting the strategic direction set by the Minister and the government.

It was an enormous challenge, and our new president wasted no time. He recruited a new senior management team of seasoned professionals and proceeded to overhaul the organization – to streamline processes, improve efficiencies, upgrade systems and institute industry leading practices and procedures – while moving ORC from the direct delivery of services to the strategic management of private sector service providers.

Tony and his team have been doing what we asked them to do, moving ahead with a very formidable task in spite of the intense public scrutiny that has surrounded our important and positive decision to proceed with an external audit and review of past practices. Exposing questionable practices of the past is essential to ensuring that our current and future practices are beyond reproach.

MOVING TO OPERATIONAL ENTERPRISE AGENCY STATUS

In December of 1999, the Government passed legislation to change the status of ORC from a Schedule IV Agency of Ontario to an Operational Enterprise Agency. Since that time, we have been preparing for proclamation of the legislation.

As an Operational Enterprise Agency, ORC will remain accountable to the Chair of Management Board of Cabinet. In fact, accountabilities for periodic reviews and customer service have been strengthened, in keeping with the Management Board of Cabinet's new agency directive, guidelines and classification system, issued in February 2000. In addition to maintaining its accountability to the Chair of Management Board of Cabinet, ORC will continue to be subject to the Freedom of Information and Privacy Directive, and subject to financial review by the Provincial Auditor.

The greatest benefit of our new status will be enhanced flexibility in managing the business according to private sector best practices – and developing a skill set in our employee base that better reflects the new direction of our corporation.

ORC has emerged from a challenging year stronger and more focused than ever. The Board and the Management team share the same vision and are committed to the successful execution of the mandate. As evident in the President's Report, we are moving ahead from new beginnings.



Joe Mavrinac
Chair, Board of Directors

REPORT FROM THE PRESIDENT



"We have sharpened our focus, set a new course, fundamentally changed and restructured the organization. With our new beginnings and our clear vision, we know where we are going and we are making solid progress."

- Joe Mavrinac, Chair, Board of Directors

A YEAR OF ACCOMPLISHMENT AND CHANGE

We have forged a new beginning at the Ontario Realty Corporation. In a year of extraordinary challenge, we have sharpened our focus, set a new course, fundamentally changed and restructured the organization, established a new strategic direction, and are developing new processes and procedures to serve the public interest of the people of Ontario. We have ended the fiscal year in the position to move forward with our mandate and fulfill our vision. At the same time – while transforming the organization – we achieved many of our financial targets and goals in fiscal 1999-2000.

ADDRESSING PAST PRACTICES – THE AUDIT AND INVESTIGATION

The need to transform the organization and move forward from new beginnings became abundantly clear over the course of fiscal 1999/2000. As we pursued our mandate and strove to create a professional, transparent and accountable organization, we focused on instituting management controls and operating guidelines to ensure that the public interest was fully protected. In the process, we uncovered past irregularities and, at the request of management, our Board exercised great leadership and courage in seeking an external audit to review past sales transactions. Some questionable activities were identified and a police investigation has been undertaken.

These are necessary and positive steps in our transformation, but negative publicity surrounding the audit and investigation has been intense. As well, responding to the needs of the audit and investigation has absorbed a considerable amount of management time and focus. We are confident that we have done the right thing, however difficult, and we will not allow this shadow to deter us from our mission of optimizing value for the Ontario taxpayer. It is to the credit of our new management team and of all ORC staff that they have performed with great professionalism and dedication, and transformed a year of challenge into a year of accomplishment. We aim to move forward with a strong foundation, a new sense of purpose and a renewed commitment to the people of Ontario. Nothing less will do.

FINANCIAL HIGHLIGHTS OF FISCAL 1999/2000

In terms of our financial targets, we achieved a considerable amount, given the circumstances. Sales reached the record level of \$111 million – up slightly from the previous year, although below our target levels, for reasons described in the Real Estate and Sales section of this report. We achieved operating costs per square foot of \$6.22 for office space, exceeding our target of \$6.25, and successfully managed capital projects for the province worth \$750 million, with \$199 million in project costs completed during the fiscal year.

From the sales of properties, the administration of ongoing mortgages, private sector rentals and miscellaneous revenues, ORC turned back to the consolidated revenue fund \$139 million over the 1999/2000 fiscal year.

Performance Measures	1999/2000 Target	1999/2000 Achieved
Operating cost per rentable square foot (rsf) of office space	\$6.25 per rsf	\$6.22 per rsf
Revenue from sale of surplus real estate	\$140 million*	\$111.3 million
% of ORC customers, clients and stakeholders surveyed who are satisfied with ORC services	60%	Decision Maker Survey: 53% Occupant Survey: 65% Private Sector Tenant Survey: 89%

* Of this target of \$140 million, \$25 million was later deferred to the next fiscal year

OPERATING HIGHLIGHTS AND ACHIEVEMENTS

We believe the most significant achievements – and those which will have the greatest long term impact – were in the restructuring and transformation of the corporation.

To this end, outsourcing has been a major thrust, and in fiscal 1999/2000:

- We outsourced all facility management for the Greater Toronto Area and the Southwestern Ontario region;
- We outsourced land management services for all of Ontario;
- We reduced staff by over 50% over the course of the year, and reduced our space requirements accordingly;
- We continued planning for the outsourcing of facilities management services in the Northern and Eastern Ontario regions;
- We augmented the sales process and improved the marketability of properties by utilizing private sector brokers; and

“ORC’s strategic direction is driven by four core long-term strategic goals:

- *Generating non-tax revenue from the sale of real estate assets for the people of Ontario;*
- *Optimizing the use of owned and leased space by the government by outsourcing and reducing costs and increasing capacity utilization;*
- *Taking a more strategic, integrated approach to service delivery and real estate planning; and*
- *Adding value by increasing efficiencies, streamlining processes and creating a professional, open and accountable agency.”*

- Tony Miele, President and CEO

- We commenced outsourcing of third party leasing transactions to private sector brokers by fiscal year-end.

At the same time, in seeking to become a more professional, open and accountable organization:

- We hired and set in place a new management team of experienced private sector professionals;
- We instituted new policies and procedures for all fundamental functions and services;
- We developed new systems to streamline processes, improve controls and enhance our capabilities;
- We managed the Y2K conversion of all systems with no interruption to services;
- We strengthened our communications effort, introduced new communications with the industry and brokerage community and developed the ORC web site to include a listing of all properties for sale, thereby ensuring transparency; and
- We instituted a new Sale/Leaseback program for government buildings.

With these changes and achievements, the ORC is a very different organization than it was a year ago – better prepared to optimize and deliver value. The transformation is not yet complete – but the fundamental change is in place, and we are able to move forward from a new beginning.

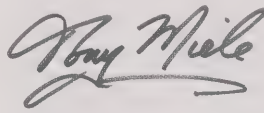
NEW BEGINNINGS IN 2000/2001

As we move forward in fiscal 2000/2001, we have a comprehensive corporate plan – an ambitious and challenging agenda. Our key financial targets include real estate asset sales of \$100 million, expenditures of \$169 million on capital projects budgeted at \$797 million and operating costs of \$6.15 per square foot of office space. Major initiatives include the completion of outsourcing of facilities management and managing the move to Operational Enterprise Agency status while pursuing our business targets and enhancing our image to build public and industry confidence.

In pursuing this challenging corporate plan, our strategic direction is driven by four core long-term strategic goals:

- Generating non-tax revenue from the sale of real estate assets for the people of Ontario;
- Optimizing the use of owned and leased space by the government by outsourcing and reducing costs and increasing capacity utilization;
- Taking a more strategic, integrated approach to service delivery and real estate planning; and
- Adding value by increasing efficiencies, streamlining processes and creating a professional, open and accountable agency.

We know where we are going, and we are clearly focused on our vision of the future, rather than on the practices of the past. As we move forward from our new beginnings, we are determined to create an organization in which the people of Ontario can take pride.



Tony Miele
President and Chief Executive Officer



REVIEW OF OPERATIONS

IN 1999/2000

CORPORATE INITIATIVES

Senior management focused on two major initiatives to create the foundation for the restructuring of the corporation. First, the Alternate Service Delivery program implemented the outsourcing of land management activities across the province to Del Management Solutions Inc., and facilities management of half the province to PROFAC Facilities Management Services Inc. And second, legislation received Royal Assent in December 1999, that will facilitate the transition of ORC to an Operational Enterprise Agency once proclamation is achieved. ORC's organizational design and business systems needed to be revamped to fit the new reality of a more commercially oriented corporation focusing on the management of service providers.

CHANGING THE ORGANIZATIONAL STRUCTURE AND ITS HUMAN RESOURCES

Moving to Operational Enterprise Agency status allows ORC to hire outside of the Public Service Act. This move recognizes that the skills and compensation systems needed to manage private sector service providers and manage the investment/divestment of real estate assets are not normally found in the public sector. The outsourcing of the land management and half of the facility management was the main reason for the 50% reduction in staffing levels.

A new senior management team comprised of experienced real estate professionals set a new course for how the corporation should be designed. ORC began the development of Human Resource policies and procedures with the ultimate goal of establishing and surpassing private sector benchmarks and performance measures. This process will be completed in the 2000/2001 fiscal year, supporting ORC's transformation to a professional and accountable organization.



IMPROVING AND AUGMENTING THE MANAGEMENT INFORMATION SYSTEMS

As part of the restructuring of our business, we have streamlined, upgraded and overhauled a number of our Information Technology systems to improve the accountability and professionalism throughout the organization while supporting the outsourcing of key land and facility management services. Databases and software were changed to integrate with our service providers and manage their service levels.

As well, we oversaw Y2K readiness for ORC systems and technology and our service providers and entered the new year without any service disruption.

COMMUNICATIONS INITIATIVES

In recognition of the importance of communications to the successful attainment of the corporation's goals, corporate communications became more integral to business operations. The unprecedented challenge of responding to intense public and media scrutiny over the audit of previous sales practices and the dramatic organizational change in the ORC made internal communications with employees and external communications with stakeholders a critical focus of the corporation.



Openness and accountability rest on effective, professional communications and a number of key long term initiatives were implemented, including: the development and expansion of the ORC web site, the initiation and regular development of an external marketing newsletter for brokers, client ministries and Members of Provincial Parliament, participation in industry tradeshow and the introduction of an electronic employee newsletter.

"Our goal is to ensure that all policies, all procedures, all activities, all transactions are visible to all – open and transparent. Openness and transparency are essential to ensuring the viability of ORC. And to maximize value through the sale of assets, we must reach the broadest possible marketplace. We are proud of what we are doing, and we want everyone to know about it."

- Brad Searchfield, SVP, Real Estate and Sales Division

OPERATING

BUSINESS INITIATIVES



REAL ESTATE AND SALES

ORC set a new sales record of \$111.3 million for 1999/2000 – up slightly from the 1998/99 sales revenue of \$109.5 million. By March 31, 2000, we completed 163 transactions for properties owned by Management Board Secretariat as well as by other ministries and agencies. As well during the year, we increased sales inventory from \$100 million to \$520 million.

Although a record, sales revenues for the year fell short of our revised target of \$140 million. There were several reasons for this:

- As we proceeded, on input from the Ministry of Finance we deferred revenues related to the sale and leaseback of eight of the ten targeted properties into the 2000/2001 fiscal year. We therefore deferred transactions representing approximately \$60 million, and adjusted the sales target to \$140 million.
- As the year-end approached, ORC launched its investigation of questionable past sales practices and called for the resulting external audit of past transactions. As part of this process, we deferred the closing of approximately \$25 million in sales which were scheduled to close in the 1999/2000 fiscal year.
- As part of the government's downsizing and portfolio rationalization process, we undertook a comprehensive review of occupied assets in terms of long term feasibility and need, marketability and current value. Through this process, we identified ten major office properties as excellent prospects for sale and leaseback to their public sector occupants. This review and planning for the sale of occupied sites added a new level of complexity to the sales process.

Becoming more open, accountable and professional

While generating record revenue and, at the same time, launching the detailed property analysis and review of past transactions, the Real Estate and Sales Division made considerable progress in becoming more open, accountable and professional. To this end, we developed new guidelines and procedures for real estate sales and for appraisals of property, as well as instituting the new sale/leaseback program for Ontario government buildings. In addition, we took the major and vitally important step of outsourcing sales to private sector brokers, to broaden our market scope, utilize industry expertise and encourage the broadest possible access to potential buyers. During the year, we proceeded strongly, executing a majority of sales with private sector brokers, compared to just 10% in 1998/1999. In addition, we enhanced transparency and public access to information by posting all properties for sale and policy notices on the ORC website and by enhancing linkages with the environmental Registry Bulletin Board.

Key goals for 2000/2001

Our sales target is \$100 million in sales, and we aim to achieve this target by utilizing and developing our systems to prepare inventory while continuing to enhance processes and develop our marketing strategies and sales support programs to help maximize value.



"Maximizing value by successfully marketing properties which are surplus to the needs of the government of Ontario delivers benefits to the taxpayers of Ontario in two key ways. First, we generate revenues that can be reinvested by the government in vital programs for the people of Ontario, enhancing the quality of life in our province. And second, releasing underutilized properties into the open market generates business opportunities, jobs and economic growth in communities across the province."

- Tony Miele, President and CEO

FACILITY MANAGEMENT SERVICES

The most significant achievement of fiscal 1999/2000 was the successful outsourcing of service delivery for facility management in the Greater Toronto Area and Southwestern Ontario and for the land bank administration for Ontario. This was the most comprehensive outsourcing of real estate operations ever conducted in this country. Our long term goal is to increase professionalism through competitive private sector service providers while reducing costs. An immediate result of the outsourcing was a reduction of over \$15 million in the ORC's salary budget. While achieving this major step forward, we delivered operating costs per square foot of \$6.22, compared to our target of \$6.25 and we

completed 450 capital repair projects totalling \$52 million. On the leasing side, we reduced rentable square feet (rsf) in 1999/2000 by 960,190 rsf, exceeding our target of 750,000 rsf by 28%.

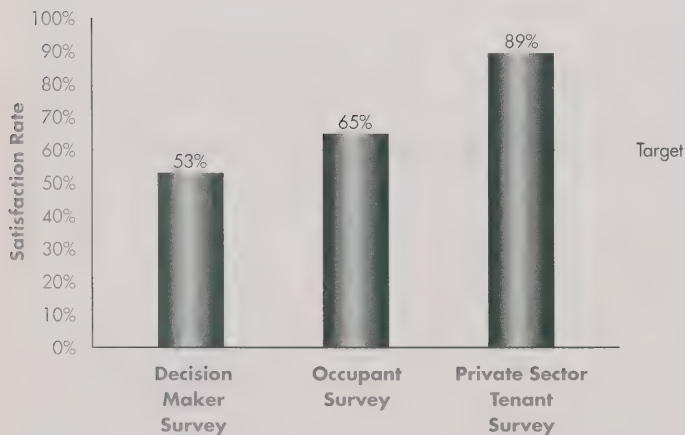
Becoming more open, accountable and professional

As we successfully outsourced 50% of our service delivery to leading private sector service providers, we prepared for the outsourcing of the balance by developing the business requirements and commencing the request for proposal for the outsourcing of the Northern and Eastern regions of Ontario. Also during the year, we outsourced third party leasing transactions on behalf of ORC clients to the private sector brokerage community. Transparency, accountability and professionalism were further enhanced as we developed and delivered training programs on the new facility and land management contracts for ORC clients and staff, surveyed ORC clients and customer tenants on the provision of management services, and fostered client relations through enhanced communication and contacts.

Key goals for 2000/2001

We are striving to achieve an overall customer satisfaction rate of over 60% and operating costs per square foot of \$6.15.

1999 Survey Results



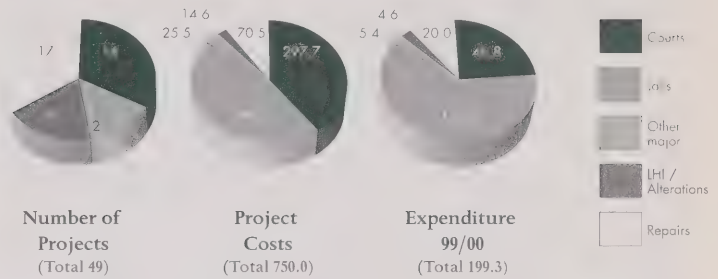
PROJECT DEVELOPMENT

Project Development Branch had an active year, successfully delivering close to \$200 million of capital planning and construction – up by 40% from the previous year. Approximately \$169 million was spent on development and construction of courthouses and correctional facilities, including major courthouse projects in Hamilton, Brampton and Windsor, and correctional projects in Milton, Penetanguishene and Lindsay. A further \$30 million was spent on repair, alterations and other capital projects.

Becoming more open, accountable and professional

During the year, we worked to enhance professionalism and accountability in the Project Development branch in a number of ways – primarily by establishing new guidelines, specifications and controls to ensure optimum management of capital funds. First, we amended ORC construction contracts to include the most current legislation and practices. Second, we developed detailed Client Service Agreements for all capital programs, in accordance with the “Accountability in the Capital Process” procedure. And third, we established a “vendor of record” consulting contract to provide expert advice to the ORC – ensuring consistency and compliance through the wide range of outsourced activities.

Project Development Branch 1999/2000 (\$ Millions)



“Ultimately – through our Board of Directors, the Management Board Secretariat and the Government of Ontario – we are accountable to the people of Ontario. We are accountable for achieving our mandate. We are accountable for establishing goals and effective strategies, while measuring progress through clearly established performance benchmarks.”

- Linda Gregory, Acting CFO and Treasurer

MANAGEMENT'S DISCUSSION AND ANALYSIS OF CORPORATE OPERATIONS



The fiscal year ending March 31, 2000 was the second full fiscal year the Corporation operated without the ownership of realty assets. Lands and buildings were returned to the Management Board Secretariat as of March 31, 1998. Under a services agreement, the Corporation retained full authority for managing the realty assets including: strategic planning and advice, facility and asset management, space utilization, acquisitions, capital projects and disposal of surplus assets.

Revenues were derived from four sources: management fees paid by Management Board Secretariat (MBS) for facility management and lease administration services; expense reimbursement (in lieu of fees) paid by MBS for transition related activities, portfolio planning, real estate and project management services; direct recoverable costs associated with the

provision of building operating and repair services; and bank interest on deposits.

Over the fiscal year, ORC outsourced its land bank administration functions, GTA and Southwestern facility management operations and reorganized its property management, real estate and design operations, utilizing more external private sector consultants. Certain management fees, recoverable costs and reimbursable expenses, once paid to ORC, were redirected to the new service providers on transfer of the operations. As a result, the Corporation's year-end revenues were \$49.6 million, down \$15.1 million compared to 1998/1999.

The outsourcing of land and facility management and internal restructuring also impacted expenditures. For outsourced functions, staffing and associated administrative costs become the responsibility of the new service providers as they assume operations. As a result, the Corporation incurred \$47.1 million in operating administration expenditures over the reporting period, compared to \$63.8 million in the previous year.

Approximately 61% (\$28.7 million) of the total expenditures is for salaries and benefits. Included in the salaries and benefits is \$3.7 million in salaries for temporary staff. Temporary staff are being utilized to fill critical administrative positions on a short term basis during the Corporation's reorganization and transition of activities.

The Corporation incurred \$11.1 million in direct operating costs over the fiscal year. Expenditures relating to transportation/communications, supplies/equipment, and information technology costs were down \$1.4 million compared to the previous year's expenditures. Services, primarily legal, consulting and corporate communications were approximately \$2,300,000 higher. This was a direct result of increased litigation activities, transition implementation and planning, audit requirements and the implementation of a corporate communications plan. As part of the direct operating expenditures, \$2.3 million in rent was paid to MBS under a charge back agreement for space occupied by ORC in government owned and leased properties. The rental payments are down \$2.7 million from the previous year's total of \$5.1 million. ORC transferred its facility management related spaces to the new service providers.

Included in the overall administrative expenditures is \$6.9 million paid to MBS. Similar to previous years, the Corporation purchased from MBS accounting, human resources, audit, information and data processing, legal and communication services.

The net operating surplus is \$2.5 million and will be utilized to offset additional direct operating costs associated with corporate communications, transition, legal and audit services in future years.

In 1998/1999 the Corporation set up a \$25.7 million liability for staff severance costs associated with the outsourcing of the land and

facility management functions to the private sector and restructuring the Corporation as a service management organization. Of this amount, \$13.7 million was spent in the reporting period on severance payments and salaries for staff pension bridging to their retirement dates. The statements include an updated estimate of the severance costs associated with the outsourcing of the Northern and Eastern facility management operations, the severance of the remaining ORC and a change in status for the staff remaining within the ORC, from Public Servants under the Public Services Act, to Crown Employees as an Operational Service Agency. An additional future provision of \$6.2 million has been set up to complete the transition activities. All severance costs are fully recoverable from MBS.

"We have been forging a new beginning as a professional, transparent, open and accountable organization by taking a fresh look at everything we do, and setting new standards and ways of operating. We have downsized and outsourced, we have hired senior real estate industry professionals, we have restructured and reorganized, we have enhanced and upgraded our business systems, we have supported an external audit, we have opened up communications, we have developed new policies and procedures for asset sales and all other operations."

- Joe Mavrinac, Chairman, ORC Board of Directors

RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of the Ontario Realty Corporation have been prepared in accordance with accounting principles generally accepted in Canada and are the responsibility of management. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to June 9, 2000.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal controls. Management maintains a system of internal controls designed to provide reasonable assurance that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities. An internal audit function, maintained by Management Board Secretariat, independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its findings to management and the Board of Directors.

The financial statements have been audited by the Provincial Auditor. The Provincial Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditor's Report, which appears on the following page, outlines the scope of the Auditor's examination and opinion.

On behalf of Management:

A handwritten signature in black ink, reading "Linda Gregory". The signature is fluid and cursive, with the first letters of "Linda" and "Gregory" being capitalized and prominent.

Linda Gregory
Chief Financial Officer & Treasurer (Acting)
June 9, 2000

AUDITOR'S REPORT

Office of the
Provincial Auditor
of Ontario



Bureau du
vérificateur provincial
de l'Ontario

Box 105, 15th Floor, 20 Dundas Street West, Toronto, Ontario M5G 2C2
B.P. 105, 15e étage, 20, rue Dundas ouest, Toronto (Ontario) M5G 2C2
(416) 327-2381 Fax: (416) 327-9862

Auditor's Report

To the Ontario Realty Corporation,
Chair of the Management Board of Cabinet,
and to the Minister of Finance

I have audited the balance sheet of the Ontario Realty Corporation as at March 31, 2000 and the statements of operations and retained earnings and of cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

Toronto, Ontario
June 9, 2000

A handwritten signature in dark ink, appearing to read 'Erik Peters'.

Erik Peters, FCA
Provincial Auditor

BALANCE SHEET

As at March 31(\$ thousands)	2000	1999
ASSETS		
CURRENT ASSETS		
Cash	8,672	9,960
Prepaid expenses	89	0
Accounts receivable	504	0
Future recoveries from Management Board Secretariat (Note 6)	18,167	25,700
	<u>27,432</u>	<u>35,660</u>
Capital assets (Note 3)	325	650
	<u>27,757</u>	<u>36,310</u>
LIABILITIES AND RETAINED EARNINGS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	6,139	9,665
Provision for severance costs (Note 6)	18,167	25,700
	<u>24,306</u>	<u>35,365</u>
RETAINED EARNINGS	3,451	945
	<u>27,757</u>	<u>36,310</u>

See Notes to Financial Statements

On behalf of the Board:



Chair



Director

STATEMENT OF OPERATIONS AND RETAINED EARNINGS

Year ended March 31(\$ thousands)	2000	1999
REVENUES		
Management fees	10,868	16,678
Expense reimbursement (in lieu of fees)	24,425	27,536
Direct recoverable costs	13,926	19,927
Bank interest	368	574
	49,587	64,715
EXPENDITURES		
Salaries and benefits	28,716	43,621
Direct operating expenditures	11,117	12,880
Administrative expenses (Note 2)	6,923	6,944
Depreciation	325	325
	47,081	63,770
NET OPERATING SURPLUS BEFORE SEVERANCE COSTS	2,506	945
Provision for severance costs (Note 6)	(6,155)	(25,700)
Future recoveries from Management Board Secretariat (Note 6)	6,155	25,700
NET OPERATING SURPLUS	2,506	945
RETAINED EARNINGS, BEGINNING OF YEAR	945	0
RETAINED EARNINGS, END OF YEAR	3,451	945

See Notes to Financial Statements

STATEMENT OF CASH FLOWS

Year ended March 31(\$ thousands)	(note 8) 2000
CASH FLOWS FROM OPERATING ACTIVITIES	
Net operating surplus	2,506
Adjustments for:	
Depreciation	325
Provision for severance costs	6,155
Future recoveries from Management Board Secretariat (Note 6)	(6,155)
	2,831
Changes in non cash working capital	
Accounts receivable	(504)
Prepaid expenses	(89)
Accounts payable and accrued liabilities	(3,526)
	(4,119)
CASH FLOWS FROM OPERATING ACTIVITIES	(1,288)
CASH FLOWS FROM FINANCING ACTIVITIES	
Severance payments made during year	(13,688)
Severance recoveries from Management Board Secretariat during year (Note 6)	13,688
	0
Net (decrease) in cash during year	(1,288)
Cash, beginning of year	9,960
Cash, end of year	8,672

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2000 (AMOUNTS IN \$000'S)

NATURE OF THE CORPORATION

The Ontario Realty Corporation (the Corporation) was incorporated under the Capital Investment Plan Act 1993 as a Crown Corporation of the Province of Ontario (the Province).

On March 3, 1998, Management Board of Cabinet approved the following structure for the ORC:

- Ownership of all properties by the Corporation reverted to the Management Board Secretariat (MBS) on March 31, 1998; and on return of the assets, the net book value to the Corporation reverted to nil, the associated debt was forgiven, and equity contributions from the Province was reduced by the difference.
- The Corporation retained full authority for managing the realty assets which are under the control of the Minister/Chair of Management Board of Cabinet, including: strategic planning and advice, facility and asset management, space utilization, acquisitions, capital projects and disposal of surplus assets, as approved in the annual corporate plan.
- The Corporation is to become fully self-sustaining, through the charging of appropriate management fees for services based on market rates and industry standards and practices; such fees to be negotiated and approved annually as part of the Corporation's corporate plan.

The Corporation provides project management, real estate and property management services to ministries and agencies of the Ontario government that directly own assets or require the Corporation's real estate services. The Corporation manages 51.7 million rentable square feet, 44.0 million owned by the province and 7.7 million leased from the private sector at locations across the province.

As a Crown Corporation and service organization of the Province the Corporation is exempt from income taxes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) General

These financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Canadian Institute of Chartered Accountants.

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions relating to revenues and expenses which affect the reported amounts of assets, liabilities and related disclosures as of the date of the financial statements. Actual amounts could differ from these estimates.

(b) Capital Assets

Capital assets in excess of one thousand dollars with a future useful life beyond the current year are capitalized. Capital assets are comprised of computer hardware and software and are amortized on a straight line basis over three years.

2. RELATED PARTY TRANSACTIONS

In addition to the cash reflected on the balance sheet, the Corporation maintains four other operating bank accounts and one capital reserve bank account. Funds in these accounts are held "in trust", administered on behalf of MBS and relate directly to the operation of MBS owned and leased properties or services provided to other ministries or agencies of the Ontario government. As of March 31, 2000 the cash balances of the aggregated four operating accounts and one capital reserve account were \$23,814 (1999 - \$24,344) and \$19,128 (1999 - \$27,556) respectively.

The accounts receivable includes \$457 from MBS (1999 - due to MBS of \$6,000 included in accounts payable).

Administrative expenses include: accounting, human resources, audit, information and data processing, legal and communication services purchased from MBS.

The Corporation is economically dependant on the Province as all of the revenues received from the Province for the provision of services are under the control of the Minister/Chair of Management Board of Cabinet.

3. CAPITAL ASSETS *(see chart below)*

CAPITAL ASSETS CONSISTS OF THE FOLLOWING:

MARCH 31	2000			1999
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Computer hardware and software	975	650	325	650

Certain capital assets are not reflected in the financial statements as they are provided to the Corporation on MBS

4. LEASE COMMITMENTS

The Corporation has entered into a number of operating leases for government owned space. In addition it leases computer equipment and vehicles to conduct its business. Future lease payments are as follows:

FOR THE YEAR ENDING

MARCH 31	
2001	\$1,145
2002	\$1,059
2003	\$1,013
Total:	\$3,217

5. CONTINGENCIES

The Corporation is acting as an agent of the Ontario Government. As such, the Corporation is entitled to be indemnified against all liabilities properly incurred in the course of exercising its actual authority on behalf of the Ontario Government.

6. SEVERANCE COSTS

The severance provision provides for staff severance costs associated with the Corporation's reorganization and the contracting out of its facilities and land management services. The changes in the severance provision are as follows:

MARCH 31,	2000
Severance provision, beginning of year	25,700
Additions to provision	6,155
Severance expenditures	(13,688)
Severance provision, end of year	18,167

7. PENSION PLAN

The Corporation provides pension benefits for all its full-time employees through participation in the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees' Pension Fund (OPSEU Pension fund) established by the Province.

The Corporation's required contributions related to the pension plans for the year ended March 31, 2000 were \$1,695 (1999 - \$2,190) and are included in the salaries and benefits in the Statement of Operations and Retained Earnings.

8. STATEMENT OF CASH FLOWS

Comparative figures are not provided in the statement of cash flows because of the significant changes in the Corporation's operations. Inclusion of fiscal 1999 comparisons would not provide any additional useful information.

ENVIRONMENTAL

DUE DILIGENCE AT ORC

ORC is committed to complying with the Environmental Assessment Act and to public consultation on issues affecting the environment. For real estate activities in 1999/2000, ORC followed the MBS Class Environmental Assessment Process (Class EA).

The Class EA sets out an approved environmental assessment procedure for MBS. Using this procedure, MBS can carry out environmental assessments consistently on a wide range of activities associated with properties owned or leased by the Ontario Government. The MBS Class EA offers ORC blanket approval for all activities within a defined class if the ORC complies with the

conditions of the Process. Though it is self-regulating, the Class EA has the force of law for ORC.

The current MBS Class EA lapses on June 9, 2001. In 1999, ORC initiated a project for the renewal of the Class EA. The purpose of this Class EA Renewal Project is to revise and update the Class EA and obtain approval from the Ontario Minister of the Environment for a five to ten-year period. This project is proceeding as scheduled and is due to be completed in 2001.

ORC's Annual Summary Report to the Minister of the Environment, when completed, will be available to the public on ORC's web site.



PUBLIC SECTOR SALARY DISCLOSURE

The Public Sector Salary Disclosure Act requires organizations that receive public funding to disclose annually the names, salaries and taxable benefits of employees paid \$100,000 or more a year.

All employees who earned greater than \$100,000 in 1999, as disclosed on their T4, are reported. The information for the Ontario Realty Corporation is reported as follows:

Name	Position	Salary	Taxable Benefits
Joyce Barretto	VP, Real Estate Planning	\$103,940.34	\$281.16
Kenneth Bauman	EVP, Property Management	\$138,432.25	\$351.36
Normand Guillemette	VP, GTA Facilities Management	\$101,261.76	\$274.04
Tony Miele	President and CEO	\$150,601.99	\$0.00
John Roper	Chief Financial Officer	\$149,366.87	\$384.96
Kenneth Tilden	Senior Portfolio Consultant	\$250,822.50	\$575.19

CORPORATE DIRECTORY

A. Board of Directors

ORC's government-appointed Board of Directors is comprised of a group of individuals who bring to the organization a depth of private and public sector expertise in all areas of real estate. It is their vision for the future, together with the strong leadership of ORC's senior management team, that has helped ORC implement successful partnerships with the private sector through formal, public Request for Proposal processes and institute recognized private sector business practices into its operations.

Michael Barker	Director, Helyar and Associates
Daniel Burns	Deputy Minister, Health and Long-Term Care
Jack Goodwin	President, ENA Realty Group Limited
Stephen Lim	President, Stephen Lim and Associates
Joe Mavrinac	Chair, ORC Board of Directors
James McKellar	Vice Chair, ORC Board of Directors. Associate Dean, External Relations and Professor and Director of the Program in Real Property Development, Schulich School of Business, York University
Ross Rigney	Reeve, Township of Snowdon
Ron Vrancart	Deputy Minister of Natural Resources

B. Senior Management

Tony Miele	President and CEO
Brad Searchfield	Senior Vice President, Real Estate and Sales Division
Peter Leroux	Senior Vice President, Facilities Services Division
Christopher Barry	Vice President, Corporate Relations and Public Affairs
Linda Gregory	Acting Chief Financial Officer and Treasurer

INQUIRIES

General Inquiry:	(416) 327-3937
Fax:	(416) 327-1906
Toll Free:	1-877-863-9672
Properties for Sale:	(416) 327-3543
Construction Activities:	(416) 327-3247
Internet Address:	www.orc.on.ca



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ANNUAL SUMMARY REPORT OF UNDERTAKINGS

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OFFICE OF THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

December 1, 2000

THE HONOURABLE DAN NEWMAN
Minister of the Environment
12th Floor
135 St. Clair Avenue West
Toronto ON M4V 1P5



Re: Annual Summary Report of Undertakings subject to the MBS Class EA for Realty Activities for Fiscal Years 1998/99 and 1999/2000

We are submitting this letter to comply with one requirement of the Management Board Secretariat's Class Environmental Assessment Process for Realty Activities.

The MBS Class Environmental Assessment (EA) process is a streamlined early planning process for realty undertakings. It is designed to make sure that, in all its realty undertakings, ORC consistently takes into account the potential effect of its activities on the environment. It enables ORC to avoid significant time delays awaiting MOE approval of undertakings.

"Undertaking" is defined in the Environmental Assessment Act as "...an enterprise or activity or a proposal, plan or program in respect of an enterprise or activity by or on behalf of Her Majesty the Queen in right of Ontario, by a public body..."

THE MAIN GOALS OF THE CLASS EA ARE:

- to match the potential environmental effect of an activity with the appropriate level of environmental assessment;
- to support and promote the Ontario Government's policies and objectives, particularly those concerning environmental protection;
- to resolve questions regarding ORC's role (mostly ORC is a proponent, but sometimes ORC is an "agent" acting on behalf of a ministry or government agency); and
- to ensure that proper consultation and documentation have been completed demonstrating that environmental concerns have been addressed.

The MBS Class EA process asks key questions about, for example, a property's contaminant or heritage status, thereby providing an explicit and consistent application of due diligence.

Not all undertakings require the same degree of environmental assessment (EA). To accommodate the entire range of MBS realty undertakings, the Class EA defines four different levels of EA intensity. The Class EA describes each level as a "category" of assessment.

MBS's diverse activities make it necessary to have several levels of environmental assessment. For example, doing an appraisal, maintaining an existing property, constructing a new building, or selling properties, all have quite different environmental effects. The definition of the four environmental assessment categories described below recognises these different effects.

- **Category "A"** Environmental Assessment is a streamlined procedure for minor undertakings; and requires no environmental assessment of the undertaking.
- **Category "B"** Environmental Assessment is applied to undertakings that are recurring and have environmental impacts that can be mitigated with known technology or activities.
- **Category "C"** Environmental Assessment is a comprehensive EA process that is applied to undertakings that are limited in scale, have a predictable range of environmental effects and are responsive to standard mitigation measures.
- **Category "D"** Environmental Assessment (Individual EA) is applied to projects that have the potential for significant and unpredictable environmental impacts or public concern. Although the Class EA is used to identify the need for Individual EA's, the process for carrying them out is beyond the scope of the document.

In order to review and, where possible, improve ORC experience with the Class EA, ORC annually prepares, and makes available to the Minister of the Environment an "Annual Summary Report" which:

- lists all Category B and C undertakings completed; and
- reviews ORC's experience in applying the Class EA's requirements.

Accordingly, ORC's Property Preparation Section, Real Estate & Sales Division, using data supplied by the different branches and divisions of ORC, has compiled a list of Category B and C undertakings completed in the fiscal years 1998/99 and 1999/2000.

CATEGORY "B" UNDERTAKINGS INCLUDE:

- leasing or letting with changes in use
- lease / purchase
- easements
- expropriations
- purchase, sale or disposal
- leasing and letting of landfill and compost facilities
- demolitions

- decommissioning
- planning approvals under Planning Act
- low voltage rights (power poles and guy wires)
- sale of density or air rights
- relocation of heritage resources
- alteration and restoration of heritage buildings
- additions
- construction

Category “C” undertakings generally include any B undertaking that involve environmentally sensitive areas, additions to communications towers, and additions to custodial facilities exceeding 50% of floor space.

During fiscal year 1998/1999, ORC had no formal public requests for its EA documentation on its undertakings, nor any public “bump-up” requests.

In October of 1998, the City of Toronto’s Local Architectural Conservation Advisory Committee (Heritage Toronto) granted ORC an Award of Merit. The award recognised ORC’s efforts on the “restoration of the Whitney Block Tower and conservation of exterior sculptures.” ORC undertook this work in compliance with the Class EA and the heritage protocol agreement with the Ministry of Citizenship, Culture & Recreation.

The 1998 Report of the Environmental Commissioner of Ontario criticised ORC for its environmental assessment practices on environmentally significant lands and insufficient public access to records and opportunities for the public to comment on government plans to sell property.

DURING 1999/2000 ORC TOOK STEPS THAT ADDRESS EACH OF THESE CONCERNS.

At the beginning of fiscal 1999/2000, after an extensive search process, ORC’s Board of Directors appointed Tony Miele as Chief Executive Officer. The Board directed the CEO to transform ORC into a professional, accountable, and transparent organization.

Mr. Miele recruited a new senior management team of seasoned professionals. By December 1999 the new management team was in place. The team proceeded to overhaul the organization - applying more rigorous management, upgrading systems, improving procedures, and setting up leading practices while moving ORC away from direct delivery of services to the strategic management of private sector service-providers.

To meet the Board’s directive, difficult decisions had to be made. Intense public scrutiny has surrounded the important and positive decision to proceed with an external audit and review of past practices. Exposing questionable practices of the past is essential to ensuring that ORC’s current and future practices are beyond reproach.

AMONG ORC’S ACTIONS TO ADJUST ITS PRACTISES AFTER THE ECO’S 1998 REPORT ARE:

- adjusting its practices to assure full compliance with the MBS Class EA;
- posting environmentally significant activities on the Environmental Registry; and
- publishing properties to be sold on the ORC website.

Unfortunately, though planning for these changes began during 1999/2000, they did not become evident until towards the end of the fiscal year. ORC's website, for example, did not become operational till mid-March 2000.

Since the implementation of new procedures towards the end of the fiscal year 1999/2000, we are confident that ORC's documentation is thorough and complete in compliance with the Class EA. ORC is now a stronger and more focused organization. The Board, the management team and staff share the same vision and are committed to the successful execution of its mandate.

The MBS Class EA was due to expire in December of 1999. The renewal of the Class EA requires a full environmental assessment. Based on advice from staff in the Environmental Assessment & Approvals Branch (EA&AB), Ministry of the Environment, ORC deferred the commencement of the renewal process. The delayed start was because EA&AB wanted to complete the review of the Municipal Engineers Class EA, the first Class EA applied for under the Environmental Assessment Act's new Regulations.

In October 1999, ORC retained the services of Jacques Whitford Environment Limited, a leading Canadian environmental consulting firm, to manage all aspects of the renewal of the MBS Class EA. ORC requested an extension of the current Class EA, and received permission from the Ministry of the Environment to continue to apply the current Process till June 2001. In keeping with the Class EA renewal project schedule, the Terms of Reference were submitted to the Ministry of the Environment on March 31, 2000.

During fiscal year 1999/2000 (March 2000) ORC received notice from MOE of one "bump-up" request. The Rouge River Restoration Committee asked for an individual environmental assessment on the proposed sale of the Rouge Park Neighbourhood lands. (This request was, subsequently, denied by your Ministry because ORC was able to demonstrate that it was complying fully with the MBS Class EA. ORC was also able to resolve the Committee's concerns through dialogue.)

Until now, ORC has been preparing its Annual Reports on Class EA Activities to coincide with the anniversary date of the Class EA. MBS committed that ORC's Class EA Report would be included in the Corporate Annual Report. To harmonise the reporting dates, we propose to report to you on a fiscal year basis. Consequently, our 1998/99 covers the period from December 10, 1997 to March 31, 1998.

We attach the Annual Summary Reports for the ORC Class EA for 1998/99 and 1999/2000 in accordance with Section 7.7 of the "Class Environmental Assessment Process for MBS Realty Group Activities."



Tony Miele
President and CEO

Copy to: The Honourable **Chris Hodgson** - Chair of Management Board of Cabinet
James McKellar - Chair of Ontario Realty Corporation Board of Directors
Michele Noble - Secretary of Management Board of Cabinet & Deputy Minister of Management Board Secretariat

ONTARIO REALTY CORPORATION

CATEGORY "B" UNDERTAKINGS COMPLETED

From December 9, 1997 – March 31, 1999

REAL ESTATE		
DESCRIPTION OF UNDERTAKING	PROPERTY DESCRIPTION	MUNICIPALITY
Sale	Pt. Lot 18 Con. 7, (Pt. 1 62R-13205/13588)	Hamilton
Sale	Lots 1-5, 13-17, 20, 21, 28-30, 36-40, 46-50, 59-65, Plan 45M-175, Lot 93, Plan 45M-167	Peterborough
Sale	Lots 6-12, 18, 19, 22-27, 31-35, 41-45, 51-58, Plan 45M-175	Peterborough
Sale	Pt. Lots 13 & 14, Con. 3	Toronto
Sale	Pt. Lots 15, 16 & 18, WDR 144-M96 & 72	Cambridge
Sale	Pt. Lots 15, 16 & 18 (Pts. 7-9 WDR 144) Pt. Lots 16, 17 WDR 69	Cambridge
Sale	Pt. Lot 13, Pt. Lots 8, 9, 13, 14	Kitchener, Cambridge
Sale	Pt. Lots 19 & 20, (Pts. 1, 2, 3, 4 Plan 67R-3267)	Cambridge
Sale	Pt. Lot 20, Con. 1 (Pt. 1 66R-16339 / Pt. 7, 66R-5394)	Toronto
Sale	Pt. Lot 6, Con. 2 (Pts. 1 & 2 Plan 61R-6584)	Guelph
Sale	Markham East	Cornell, Town of Markham
Sale	Blocks 3, 4, 5 on Plan 43M998	Mississauga
Sale	Pt. Lot 32, Con. 7 (Pts. 1 & 2 Plan 62R-11715)	Stoney Creek
Sale	Pt. Lot 32, Con. 7 (Pt. 3 Plan 62R-11717)	Stoney Creek
Sale	Toronto East of Bay	
Sale	Sale, Lot 19, Plan M-6	Nanticoke
Sale	Sale, Lot 26, Plan M-6	Nanticoke
Sale	Sale, Pt. Lot 22 Con. 12 (Pt. 1 Plan 37R-7617)	Nanticoke
Sale	Sale, Pt. 2, Plan 37R-3728, Pt. 4 & 5 Plan 37R-7597	Nanticoke
Sale	Sale, Pt. Lots 4 & 5 Con. 8	Nanticoke
Sale	Sale, Pt. N. Half Lots 4 & 5, Con. 9	Nanticoke
Sale	Sale, Lot 12, Plan M-6	Nanticoke
Sale	Pt. Lot 3, Con. 3 (Pt. 1 Plan 64R-8307)	Vaughan
Sale	Pt. Lot 31, Con. 1 (Pt. 1 Plan 40R-18116)	Whitby
Sale	Pt. Lots 29, 30, 31 Con. 1	Whitby
Sale	Sale, Block 262, Plan 12M-369	Windsor
Sale	Sale, Lots 1-7, 60-73, 112-140 Plan 12M-408	Windsor
Sale	Sale, Lots 8-49, 74-111, Plan 12M-408	Windsor
Sale	Sale, Lots 50-59, Plan 12M-408	Windsor
Sale	Pt. Lot 13, Con. 4 (Pt. 1 Plan 43R-22577)	Brampton

REAL ESTATE

DESCRIPTION OF UNDERTAKING

PROPERTY DESCRIPTION

MUNICIPALITY

Sale	Pt. Lot 14, Con. 7 (Pt. 1 Plan 43R-13215)	Brampton
Sale	Pt. Lots 4 & 5, Con. 2 (Pts. 1, 2, 3, 4, 43R-23285)	Brampton
Sale	Pt. Lots 9 & 10 Con. 2 (Pts. 28-31, 35, 36, 40) 65R-21129	Vaughan
Sale	Pt. Lot 1, Plan 3759 (Pts. 1-5 Plan 64R-3033)	Toronto
Sale	590 Keele Street	Toronto
Sale	Sale, 495 Sherbourne St.	Toronto
Sale	Sale, 599 Jarvis St.	Toronto
Sale	Sale, 9 Earl Street	Toronto
Sale	Lot 29, Plan 373 (Pts. 1 & 2 Plan 40R-18171)	Markham
Sale	Pt. Lots 25, 26, 27 Con. 7	Township of Wallace
Sale	Pt. Lots 28, 29, 30 Con. 2	Oakville
Sale	Pt. Block A (Pts. 1-3 Plan 62R-14789)	Stoney Creek
Sale	145 Eastern Avenue	Toronto
Sale	108, 112, 120 & 126 Palmer Road	Belleville
Sale	Lot 4, Plan M-191 (39 Palmer Road)	Belleville
Sale	91 McClure Crescent	Scarborough
Sale	Pt. Lot 41, Con. 4	Township of Malden
Sale	75 Warbler Drive	Manitouwadge
Sale	Pt. Lot 21, Con. 2, Napanee	
Sale	Pt. Lots 29 & 30, Con. 6 (Pts. 2, 3, 4 & 8 Plan 62R-10156)	Stoney Creek
Sale	Pt. Lot 2, Con. 10 Plan 65R-20640	Town of Markham
Sale	Sale, Pt. Lot 1, Con. 10 Plan 65R-20640	Town of Markham
Sale	Sale, 7080-11 th Line	Markham
Sale	Part Lot 28, Plan 10309 (Pts. 2 & 3, 65R-11525)	Vaughan
Sale	Block A Plan M-204, Block A Plan M-252	Stoney Creek
Sale	Lot 7, Plan M-345	Thunder Bay
Sale	Lot 217, Plan M-94	Thunder Bay
Sale	Lots 74 & 75, Plan M-222 (PCL 28319)	Kenora
Sale	Lot 9, Plan M-222 (PCL 10483)	Kenora
Sale	Lots 24 & 25, Plan M-222	Kenora
Sale	140 Balsam Avenue	Ignace
Sale	Pts. 5 & 51 1R-1926 Pt. of Parcel 7544	Hornepayne
Sale	Pt. Lots 3 & 4 Con. 2 (Pts. 3 & 4 Plan 43R-22788)	Mississauga
Sale	15 Sixth Avenue	Smooth Rock Falls
Sale	Pt. 2 53R-15868, Pt. Parcel 28559 A	Foley
Sale	Pt. 1 Plan KR-550	Kenora
Sale	29 Van Horne Crescent	Marathon
Sale	Block E, Plan 923	Kitchener
Sale	542 Montreal Street	Kingston

REAL ESTATE

DESCRIPTION OF UNDERTAKING	PROPERTY DESCRIPTION	MUNICIPALITY
Sale	Pt. Lot 17, Con. C (Pts. 1, 2, 3 Plan 36R-10507)	Nipissing
Sale	Pt. Lot 3, Con 9 (Pt. 1) 65R-9585	Vaughan
Sale	Lot 100, Plan M-48, Town of Hearst	Cochrane
Sale	1 Glen Street	Blind River
Sale	Pt. Park Lot 2, W. Side Court St.	Thunder Bay
Sale	Pt. 1, Plan 62R-14284 (Lewis Rd.)	Stoney Creek
Sale	408 Lewis Road (Pts. 3, 4, 5 62R-14284)	Stoney Creek
Sale	South Service Rd. (Pt. 2 Plan 62R-14284)	Stoney Creek
Sale	Airport Road Widening	Brampton
Sale	Pt. Lot 2, Con. 6 (Pts. 1 & 2 Plan 65R-19582)	Vaughan
Sale	Pt. Lot 3, Con. 8 (Pt. 1 Plan 65R-19874/65R-20712)	Vaughan
Sale	Pt. Lot 6, Con. 1 (Pts. 1-5, 7, 8, 10 Plan 62R-12592)	Stoney Creek
Sale	Pt. Lot 6, Con. 1 (Pt. 1 Plan 33R-12023)	Middlesex (Lobo)
Sale	Pt. Lot 3, Con. 8	Vaughan
Sale	Sale, Pt. Lot 45, Plan 9953 (Pt. 22 Plan 64R-15621)	Toronto
Sale	Sale, Lot 22, Plan 9945 (Pts. 23, 24 & 25) 64R-15621)	Toronto
Sale	Lot 7M OKAB 43R-17928	Mississauga
Sale	Pt. 1-10, Plan 66R-17949	Toronto
Sale	Pt. Lot 25, Con. 2	Oakville
Sale	Lot 107, Plan 29 (Pt. 1 Plan RD-221)	Niagara Falls
Sale	Pt. Lot 1, Plan 2732 (Pt. 2 Plan RS-1331)	Toronto
Sale	212 Shaver Road	Ancaster
Sale	Pt. Lot 15, Con. 1 (Pts. 1, 2, 3 Plan 62R-14673)	Stoney Creek
Sale	Pt. Lot 54, Plan M-115 (Pts. 6-8 Plan 40R-18061)	Ajax
Sale	Pt. Lots 6 & 7, Con. 9 (Pts. 1 & 2 Plan 65R-20871)	Vaughan
Sale	Pt. Lots 13 & 14, Con. 3 (Pts. 1 & 3 43R-22760)	Brampton
Sale	Pt. Lot 4, Con. 1, (Pts. 6, 9 & 10 Plan 40R-2470)	Oshawa
Sale	Pt. Lot 21, (Pt. 1 40R-18057)	Whitby
Sale	Pt. Lot 109, Con. 1	East Gwillimbury
Sale	Pt. Lot 5, Con. 2 (Pts. 1, 2, 4 & 5 Plan 43R-22999)	Mississauga
Sale	Pt. Lots 783 & 784 Plan 2044 (Pts. 1-5 64R-10958)	Toronto
Sale	Lot 27, Plan M-137 (Pt. 1 6R-5841)	Toronto
Sale	Lot 31, Con. 2 (Pt. 1 40R-18158)	Clarington
Sale	Lot 30, Plan 837	Wasaga Beach
Sale	Pt. Lot 20, Con. 4,	Township of Minto
Sale	40 Victoria Avenue	Blind River
Sale	164 Wadsworth Drive	Nipigon
Sale	Pt. Lots 29 & 30, Con. 5	Clarington
Sale	W. Half Lot 6, Con. 5	Badgerow

REAL ESTATE

DESCRIPTION OF UNDERTAKING	PROPERTY DESCRIPTION	MUNICIPALITY
Sale	Pt. Lots 8, 9, 10, Con. 6	Badgerow
Sale	316-15 th Avenue (Lot 150, Plan M-150)	Cochrane
Sale	Lots 154 & 155 Third Street	Township of James
Sale	E. Half of Lot 20, Con. 4 (Parcel 17544)	Township of Chisholm
Sale	Lots 1 & 2, Con. 4 (Parcel 1677)	Township of Chisholm
Sale	4 Utik Avenue (Lot 21 Plan M-362)	Moosonee
Sale	S. Half Lot 9, Con. 3	Kirkpatrick
Sale	Pt. Block 11 Plan 284 (Pt. 1 21-R-17973)	Tweed
Sale	Pt. Lots 5 & 6, Con. 3	Richmond
Sale	Pt. Lots 11 & 12, Con. 1	Township of Murchison
Sale	Pt. Lot 2, Plan 792,	Township of Scugog
Sale	Pt. Lots 35, 36 & 37, Plan 687	Wasaga Beach
Sale	Pt. Lots 6, 7, 8, 9 & 10, Con. 2	Township of Puslinch
Sale	Park Lot E Plan 713	Wasaga Beach
Sale	Pt. Lot 23, Con. 10 (Pt. 1 Plan 30R-9090)	Niagara Falls
Sale	Lot 68, Plan 859	Wasaga Beach
Sale	Lot 42, Plan 11-794 (Pts. 1 & 2 Plan 8997)	Algoma
Sale	S. Part Lot 10, Con. 2 (PCL 6782)	Township of Mutrie
Sale	S. Half Lot 8, Con. 4,	Township of Kirkpatrick
Sale	Lots 10 & 72 Plan M-121	Township of Gaudette
Sale	Pt. Lot 11, Con. 2 (Pt. 1, Plan RD-174)	Manvers
Sale	Pt. Lot 3, Con. 1 (Pt. 2 Plan IR-2629) Aberdeen	Algoma
Sale	605/607 Beaverdale Road	Cambridge
Sale	Pt. Lot 24, Con. 10	Village of Sundridge
Sale	Lots 29, 30, 31 Plan 859	Wasaga Beach
Sale	Lots 370-373	Township of James
Sale	Lot 13, Con. 13 & E. Half of Lot 13, Con. 14,	Muskoka
Sale	Russell St. & Pine Avenue	Kenora
Sale	Pt. Lot 3, Con. 2	Timmins
Sale	Pt. Lot 3, Con. 2 (Pts. 1, 2 & 7 Plan 6R-6288)	Cochrane
Sale	Pt. Blocks A & B Plan 1726	Toronto
Sale	1270 Cheverton Avenue	Ottawa
Sale	Pt. Block E Plan 919 (Pt. 2 Plan 43R-7830)	Mississauga
Sale	1333 Mart St. N. Unit 53	Oshawa
Sale	PCLs 294, 7346, 7235, 924, 1755, Pt. 8702-333	Township of Patton
Sale	Lot 14, Plan M-92	Township of Mack
Sale	Parcel 5433, Summer Loc ck 277,	Township of Scarfe

PROPERTY MANAGEMENT DIVISION • (Southwest Region)

DESCRIPTION OF UNDERTAKING	PROPERTY DESCRIPTION	MUNICIPALITY
Restoration / Renovation	Barrier Free Access, Pratten Building	London
Alteration Fire Code Retrofit	Windsor Jail Building, 378 Brock St.	Windsor
Restoration	Windsor Jail Building, 378 Brock St.	Windsor
Restoration Repair to Existing Fire Pump	Windsor Jail Building, 378 Brock St.	Windsor
Restoration Structural Review and Repair	Courthouse, 55 Munsee St.	Cayuga
Restoration Replace Floor in Public Area	Registry, 15 Dominion St.	Bracebridge
Restoration Washroom and Holding Cell Upgrade	Courthouse and Addition, 15 Dominion St.,	Bracebridge
Restoration Code Compliance Upgrade	Courthouse and Addition, 15 Dominion St.	Bracebridge
Restoration Retaining Wall Repair	Courthouse and Addition, 15 Dominion St.	Bracebridge
Restoration Various Emergency Repair	County Courthouse, 700 Christina St.	Sarnia
Restoration Repair Building Access	County Courthouse, 700 Christina St.	Sarnia
Restoration Repair Fire Alarm	County Courthouse, 700 Christina St.	Sarnia
Restoration Structural Repair	Sarnia Jail, 700 Christina St.	Sarnia
Restoration Structural Repair-	Sarnia Jail, 700 Christina St.	Sarnia
Addition Construction of Additional Holding Cell	Sarnia Jail, 700 Christina St.	Sarnia
Alteration Enclose Exit Stairwell	Registry, 700 Christina St.	Sarnia
Restoration Asbestos Removal	Registry, 700 Christina St.	Sarnia
Restoration Emergency Wall Repair	Registry, 700 Christina St.	Sarnia
Addition Install Security Cameras	Courthouse and Registry, 59 Church St.	St. Catharines
Restoration Upgrade Medical HVAC	Courthouse and Registry, 59 Church St.	St. Catharines
Lighting Retrofit	Courthouse and Registry, 59 Church St.	St. Catharines
Restoration Millwork and Electrical Outlet	Courthouse and Registry, 59 Church St.	St. Catharines
Restoration Security Locks	Courthouse and Registry, 59 Church St.	St. Catharines
Alteration Lighting & Handrails	Courthouse and Registry, 59 Church St.	St. Catharines
Installation Security Cameras	Monitors - Courthouse and Registry, 59 Church St.	St. Catharines
Restoration Waterproofing Foundation	Advisory Services, 4890 Victoria Ave.	Lincoln
Installation Property Fence	Guelph Correctional Centre, Administration Building, York Rd.	Guelph
Restoration Upgrade Washrooms	Ontario Fire College, Lecture Hall	Gravenhurst
Restoration Soffit and Facia	Huron Regional Centre, Cottage C, 700 Memorial Ave.	Orillia
Restoration Soffit and Facia	Huron Regional Centre, Cottage C, 700 Memorial Ave.	Orillia

PROPERTY MANAGEMENT DIVISION • (Southwest Region)

DESCRIPTION OF UNDERTAKING	PROPERTY DESCRIPTION	MUNICIPALITY
Restoration Replace Pneumatic to Electric Heating	Huronia Regional Centre, Complex G B23, 700 Memorial Ave.	Orillia
Restoration Base Building Improvements	Huronia Regional Centre, Complex G B23, 700 Memorial Ave.	Orillia
Alterations to Laundry Loading	Huronia Regional Centre, Complex G B23, 700 Memorial Ave.	Orillia
Study/Report	Heating Feasibility Study - Huronia Regional Centre, Administration Building, 700 Memorial Ave.	Orillia
Restoration Replace Water Mains	Huronia Regional Centre, Cottage C, 700 Memorial Ave.	Orillia
Study/Report	Power Measurement and Control - Huronia Regional Centre, Cottage C, 700 Memorial Ave.	Orillia
Restoration Replace Lighting in Gymnasium	Huronia Regional Centre, Cottage C, 700 Memorial Ave.	Orillia
Restoration Kitchen Floor Repair	Huronia Regional Centre, Kitchen and Cafeteria, 700 Memorial Ave.	Orillia
Office Relocation	Huronia Regional Centre, Cottage K, 700 Memorial Ave.	Orillia
Relocate Office	Huronia Regional Centre, Cottage C B7, 700 Memorial Ave.	Orillia
Alteration to Dock	Huronia Regional Centre, Cottage C B7, 700 Memorial Ave.	Orillia
Demolition Remove Wall	Huronia Regional Centre, Cottage C B7, 700 Memorial Ave.	Orillia
Restoration Repair Ventilation to Attic	Huronia Regional Centre, Cottage C B7, 700 Memorial Ave.	Orillia
Storage Room Alterations	Huronia Regional Centre, Cottage C B7, 700 Memorial Ave.	Orillia
Restoration Emergency Repair to Hot Water	Mental Health Centre, Administration Building,	Penetanguishene
Restoration Roof Replacement	Mental Health Centre, Administration Building	Penetanguishene
Restoration Skylight Repair	Mental Health Centre, Administration Building	Penetanguishene
Restoration Ventilation Upgrades	Mental Health Centre, Administration Building	Penetanguishene
Restoration Replace Main Water Valves	Barrie Jail, 87 Mulcaster St.	Barrie
Restoration Upgrade Flooring	Barrie Jail, 87 Mulcaster St.	Barrie
Restoration Mechanical Repair	Barrie Jail, 87 Mulcaster St.	Barrie
Restoration Interior Repair	Barrie Jail, 87 Mulcaster St.	Barrie
Restoration Replace Main Water Valves	Barrie Jail, 87 Mulcaster St.	Barrie
Restoration Repair Ceiling and Stairwell	Barrie Jail, 87 Mulcaster St.	Barrie

PROPERTY MANAGEMENT DIVISION • (Eastern Region)

DESCRIPTION OF UNDERTAKING	PROPERTY DESCRIPTION	MUNICIPALITY
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Construction

Court House, 29 Second Ave.

Cornwall

PROPERTY MANAGEMENT DIVISION • (Northern Region)

DESCRIPTION OF UNDERTAKING	PROPERTY DESCRIPTION	MUNICIPALITY
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* No Category "B" Undertakings*

PROPERTY MANAGEMENT DIVISION • (GTA)

DESCRIPTION OF UNDERTAKING	PROPERTY DESCRIPTION	MUNICIPALITY
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Restoration Renovations

Osgoode Hall, 132 Queen St. West

Toronto

Restoration Tower Stabilization

Whitney Block, 99 Wellesley St. West,

Toronto

Restoration Life Safety Upgrade

Queen's Park Complex

Toronto

PROJECT DEVELOPMENT DIVISION

DESCRIPTION OF UNDERTAKING	PROPERTY DESCRIPTION	MUNICIPALITY
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Restoration Renovation

Brockville Courthouse, 10 Wall Street

Brockville

ONTARIO REALTY CORPORATION

CATEGORY "C" UNDERTAKINGS COMPLETED

IN 1998-1999

PROJECT DEVELOPMENT DIVISION

DESCRIPTION OF UNDERTAKING	PROPERTY DESCRIPTION	MUNICIPALITY
Construction	Lindsay Correctional Facility,	Lindsay
Construction	Maplehurst Correctional Facility,	Brampton
Construction	Penetanguishene Correctional Facility,	Penetanguishene
Construction	Ottawa Carlton Detention Centre,	Ottawa

ONTARIO REALTY CORPORATION

CATEGORY "B" UNDERTAKINGS COMPLETED

From April 1, 1999- March 31, 2000

REAL ESTATE/REAL ESTATE SALES DIVISION

DESCRIPTION OF UNDERTAKING	PROPERTY DESCRIPTION	MUNICIPALITY
Sale	Pcl. 4537 Patricia Portion, Prt 1, Plan KR-1144 Township of Red Lake, District of Kenora	Balmerstown
Sale	Lots 43, 44, 45 & 46, Plan 959 (94 Paterson Road)	Barrie
Sale	Pt Lot 3 Plan 1M-533 - 3 Glen Avenue	Blind River
Sale	Pt Lot 41, Plan 1M-533 (2 Glen Avenue)	Blind River
Sale	Pt Lots 13 & 14, Con 4 E.H.S. City of Brampton	Brampton
Sale	Lot 12, Registered Plan 378 City of Brampton	Brampton
Sale	Pt. Lot 14, Con 7 S.D. (Pt. 7 Plan 43R-13215, City of Brampton	Brampton
Sale	Pt. Lots 19 & 30, B.B.F.C. Plan 58R-11876, City of Cambridge	Cambridge
Sale	Pt. Lot 27, Beasley's Broken Front Conc. Prts. 7,8 & 9 Plan 67R-2561, City of Cambridge	Cambridge

REAL ESTATE/REAL ESTATE SALES DIVISION

DESCRIPTION OF UNDERTAKING	PROPERTY DESCRIPTION	MUNICIPALITY
Sale	Parcel 3000 Pt N Half Lot 8 Con 6 Twp. of Lamarche	Cochrane
Sale	Pt. Lot 23, Con 3, Twp. of Edwardsburgh	Edwardsburgh
Sale	Pt. Lot 36, Con 5, Twp. of Edwardsburgh	Edwardsburgh
Sale	Lots 1, 2, 3, 4, 5 and 6. Plan 519, Prt Lots 7, 53, 54, 55 & Prts of Blocks A, Y & Z Plan 519, Town of Fort Erie	Fort Erie
Sale	Pt. Lot 2, Conc. 2 Plan 59R-1253	Fort Erie
Sale	Pt. of Lots 17 & 18, Con 1 (Parts 3, 4, & 5) Ref. Plan 30R-9008, Town of Grimsby	Grimsby
Sale	Pt. of Lot 9 & 10, Conc. 4, Town of Markham	Markham
Sale	Pt. Lot 9, Con 2, New Survey, shown as (Pts. 1-14) both inclusive, Plan 20R-11575, Twn of Milton	Milton
Sale	N1/2 Lot 290, Plan M-222, Minaki (Mun. Address) 1 Nelson Street, Minaki, Ont.	Minaki (Kenora)
Sale	Pt. Lot 13, Con 2 (Parts 1 & 2, 43R-23233) 129.9 sq.m. or .0074 acre	Mississauga
Sale	Pt. Lots 12 & 13, Con 2 shown as Pts. 1, 2, 3, & 4 Plan 43R-23067	Mississauga
Sale	139 Sixth Street, Nipigon	Nipigon
Sale	Pt. Lot 15, Con 3 Twp. of North Sherbrooke, County of Lanark	North Sherbrooke
Sale	Pt. Lot 30, Concession 2, South of Dundas Street Prt 1 Ref Plan 20R-12201, Town of Oakville.	Oakville
Sale	Parcel 8017, 3036, 5493, 3220, Algoma Centre Section, Native Land Claim Settlement	District of Algoma
Sale	540 Albert Street East, Sault Ste. Marie.	Sault Ste. Marie
Sale	N/E half Lot 28, Conc. 2, Township of Montague, County of Lanark Prt 1, Plan 27R-7184	Smith Falls
Sale	Blocks 148, 149, 150, 151 and 152 Plan 62M-725, Road Allowance Lots 30 and 31, conc. 7.	Stoney Creek
Sale	Lots 90 & 91 Plan 65 NB Pcl 13146, 12028, 11873, 63 5 th Ave. Englehart, Ont. Timiskaming	Timiskaming
Sale	Pt Lot 27, West side of Yonge Plan D-3	Toronto
Sale	Phase 3 Joint venture Bay & Wellesley, Toronto 235 sq. ft. building density on 1.17 acres	Toronto
Sale	Spadina Expressway	Toronto
Sale	Pt. Lot 21, Conc.14, Pt 2 on Plan 37R-7938, City of Nanticoke	Townsend
Sale	Lot 10 on Plan M-6, City of Nanticoke	Townsend
Sale	Lot 14 on Plan M-6, City of Nanticoke	Townsend
Sale	Lot 9 on Plan M-6, City of Nanticoke	Townsend
Sale	Pt. Lots 22 & 23 Con 14 (Parts 1 & 2 Plan 37R-7937)	Townsend
Sale	Pt. Lot 20, Conc. 14 Part 3 on Plan 37R-7938	Townsend

REAL ESTATE/REAL ESTATE SALES DIVISION

DESCRIPTION OF UNDERTAKING	PROPERTY DESCRIPTION	MUNICIPALITY
Sale	Pt. Lot 23, Con 14, shown as Pt. 3 on Plan 37R-7937	Townsend
Sale	Pt. of Lots 19 & 20 Con 14, Pt. 1 on Plan 37R-7938	Townsend
Sale	Pt. of Lots 19 & 20 Con.14, Pt. 1 on Plan 37R-7899	Townsend
Sale	Lot 16, Plan M-6, City of Nanticoke	Townsend
Sale	Pt. Lots 3 & 4 Con 7 (Pts. 1-3, 10-13 Plan 65R-20461 City of Vaughan)	Vaughan
Sale	Pt. of Lots 29 & 30 Broken Front Con shown as Pts. 1, 3 and 4 on Plan 40R-18889	Whitby
Sale	Pt. lots 29 & 30, Conc.4, Prt lots 28, 29, 30 and 31, Conc. 4 Plan 40R-18997 Town of Pickering	Village of Whitevale
Sale	Pt. of Lots 92, 93 and 94 Conn. 3 shown as Prts, 1, 2, 3, 4, 5 and 6 Plan 12R-406f	Windsor
Sale	Pt. of the east & west halves Lots 4 & 5 Con 12 (Pt. of Lots 1-14, 15, 16, 17 Plan 58 Twp of East Zorra	Woodstock
Sale	Pt. Lots 3, 4 & 5, Concession 11 Plan 41R6527, Township of East Zorra-Tavistock, County of Oxford	Woodstock
Sale	Pt. of Lot 45, German Co. Tract and Lots 1, 2, 3 and 4 on Plan 575	Waterloo
Sale	Pt. Lot 25, Con 12, Twp. of North Dumfries, Reg. Mun. of Waterloo	Cambridge
Sale	Lot 13, Plan 378, City of Brampton	Brampton
Sale	Prt Lots 14 & 15, Conc. 6. Shown as Pts 1, 2, 3 & 4 Ref. Plan 43R-20305 City of Brampton	Brampton
Sale	Ref Plan 67R3155, City of Cambridge	Cambridge
Sale	Pt. Lots 18, 30, 31 & 32, Beasley's Broken Front Concession, shown as Prts 2, 3, 4, 5 & 6 Plan 58R-11876	Cambridge
Sale	Residential	Edwardsburgh
Sale	Phase 2 area of Cornell	Markham
Sale	Pt. Lot 29, Conc. 2, Town of Pickering Parcel 82.	Pickering
Sale	Pt. Lot 31, Conc. 4, Town of Pickering Parcel 29A.	Pickering
Sale	Part Lot 15, Concession 2 as shown on Part 1 Reference Plan 43R-13840 City of Mississauga	Mississauga
Sale	Lots 3, 4, 5 & 6 Reg. Plan 15, Lots O, P, Q, Part Lot N Parcel 2158 W/F City of North Bay	North Bay
Sale	Pt. Lot 34, Conc. 3, Town of Pickering Parcel 87	Pickering
Sale	Pt. Lot 30, Conc. 4, Town of Pickering Parcel 90	Pickering
Sale	Pt. Lot 33, Conc. 3, Town of Pickering Parcel 88	Pickering
Sale	Lot 41, Plan M-686, Pt. Of Pcl: 5423 Township of Ponsford, District of Kenora (5 Rose Avenue)	Pickle Lake

REAL ESTATE/REAL ESTATE SALES DIVISION

DESCRIPTION OF UNDERTAKING	PROPERTY DESCRIPTION	MUNICIPALITY
Sale	Parcel 8514, 2172, 3221, 3218 & 4885 Algoma Centre Section, Native Land Claim Settlement	District of Algoma
Sale	Pt. Lot 34, Con 2, Twp. of Burleigh-Anstruther, County of Peterborough	Apsley
Sale	250 Windsor Avenue	Windsor
Sale	Lot 59, 60 and Part of Lots 58, 61, 62, 64 and 65 on Plan 136, Ref. Plan 65r19674, Town of Richmond Hill	Richmond Hill
Sale	Pt. Lot 17, Con 8 St. Catharines Mun. Address 118 Glenridge Ave., St. Catharines	St. Catharines
Sale	Prt Lot 26, Reg. Plan D-3, Shown as Prts 7, 16 & 17 Ref. Plan 66-R15658, City of Toronto	Toronto
Sale	Lots 71, 72, 73, 74, 75, 76, 77, 78 and 19 Plan 159 Des. Part 1 66R-17365 and Prt Lots 150, 151, 152, 153, 154, 155, 156, 157 and 158 plan 159	Toronto
Sale	Lot 11, Plan M-6, City of Nanticoke Bramble Crescent, Townsend.	Townsend
Sale	Lot 18, Plan M-6, City of Nanticoke	Townsend
Sale	Prt Lot 13, Conc. 4 Designated as Part 4 Ref. Plan 43R-22577, City of Brampton	Brampton
Sale	Prt Lot 32, conc. 3, Town of Pickering parcel 43A	Pickering
Sale	Prince Edward Heights	Picton
Sale	Pt. Lots 36 & 37, Con 1 Town of Richmond Hill	Richmond Hill
Sale	Part lot 27, 28, 29 Conc. 8 Plan 62R13911 Stoney Creek Mun of Hamilton Wentworth	Stoney Creek
Sale	Stoney Creek -Pt Lot 32 Conc. 7 Prts 3 & 4 Ref. Plan M-182	Stoney Creek
Sale	Pt. Lot 53, Plan M-115, shown as Pts 1, 2 & 3, Plan 40R-18061	Ajax
Sale	Pt. Lots 3, 4 and 5 Conc. 9 shown as Pts. 1, 2, 3, 4, 5 and 6 Plan 19R-295	Haliburton/Dysart
Sale	Pt. Lot 6, Con 1 W.H.S. (Pts. 1 & 2 Plan 43R-23570) City of Mississauga	Mississauga
Sale	N Pt. Lot 4, Con 6, Bowman Twp., PCL 13150 SEC Twp. of Black River-Matheson, Cochrane	New Liskeard
Sale	960 Glen Street, Unit 24 Oshawa	Oshawa
Sale	960 Glen Street, Unit 116 Oshawa	Oshawa
Sale	960 Glen Street, Unit 43, Oshawa	Oshawa
Sale	Pt. Lots C10 and C14 Sheet 29, Plan 335 Plan 40R-18706, City of Oshawa	Oshawa
Sale	960 Glen Street, Unit 47 Oshawa	Oshawa
Sale	Pt. Lot 4, Conc. 3 Pts 1 to 10 incl. Plan 65R-20264, Town of Richmond Hill	Richmond Hill
Sale	Pt. Lot 22, Conc. 3 Plan 30R-404, City of St. Catharines	St. Catharines

REAL ESTATE/REAL ESTATE SALES DIVISION

DESCRIPTION OF UNDERTAKING	PROPERTY DESCRIPTION	MUNICIPALITY
Sale	Pt. Lot 3, Plan 9, shown as Pt. 2 on Plan 30R-2064 now Pt. 8 on Pla 30R-9392	St. Catharines
Sale	Pt. Lot 8, Registrar's Compiled Plan 10097, Plan 64R-12278	Toronto
Sale	Pt. Lot 15, Conc. 1. Plan 30R-9462, Town of Grimsby	Town of Grimsby
Sale	Pt. Lots 160 and 161 Plan 5871 shown as Prt 1 on Plan 64R-13642, Woodsworth Avenue	Toronto
Sale	Pt. Lot 20, Con 5 West of Yonge St. City of Toronto	Toronto
Sale	Pt. Lot 20, Con 5 West of Yonge St. City of Toronto	Toronto
Sale	Part of Lots 29 & 35, Registered Plan 157, designated as Part 1, Plan 21R-17905, Village of Tweed	Tweed
Sale	Pt. Lot 5, Conc. 9 Plan 65R-7163, City of Vaughan	Vaughan
Sale	Pt. Lot 15, Conc. 5 Plan 65R-15832, City of Vaughan	Vaughan
Sale	Pt. Lot 21, Con 7	Whitchurch-Stouffville
Sale	Part 1, Plan 12R-16664: Parts 1, 2, 3, 4 and 5, Plan 12R-17417 City of Windsor, County of Essex	Windsor
Sale	Pt. Lot 22, Con 3 (Pt. 1 plan 65R-20590) Town of Aurora	Aurora
Sale	Lot 225, Lot 226, Plan M-114, Town of Cochrane	Cochrane
Sale	Lot 268, 269 Plan M-114, Town of Cochrane	Cochrane
Sale	Lot 27, Concession 8, Parcel 2360, Township of Glackmeyer, District of Cochrane	Cochrane
Sale	Pt. Lot 33, Concession 10, Township of Puslinch, County of Wellington	Puslinch
Sale	Pt. Lot 18, Conc. 2 Lot 49 RCP 526. Township of Chafley, now Town of Huntsville	Huntsville
Sale	Prt Lots 104 & 105, Registered Plan 81, shown as Prts 1 & 2, Ref. Plan 65R-19690	Newmarket
Sale	Ops. Twp. SP-TW-0010 Prt lots 28, 29, Conc. 5 Township of Ops, Lindsay 596 Angeline St. N. Lindsay	Lindsay
Sale	Lot 17, Plan M-6, City of Nanticoke	Townsend
Sale	Prt of West Half Lot 2, Conc. 8 N.D. shown as Prt 1 on Ref. Plan 43R-20304 City of Brampton	Brampton
Sale	3267 Mosley Street, Wasaga Beach Lot 97 Registered Plan 1698 Town of Wasaga Beach County Simcoe	Wasaga Beach
Sale	Sale of Interest in Toronto District Heating Corporation	Toronto
Sale	Road Widening	Colborne Twp.
Sale	MNR Work Centre	Elliott Lake
Sale	Road Widening	Kingston
Sale	Road Widening/QEW Interchange	Lincoln
Sale	Pt. Lot 6, Con 1 (Pt. 9) Ref. Plan 43R-23399	Mississauga

REAL ESTATE/REAL ESTATE SALES DIVISION

DESCRIPTION OF UNDERTAKING	PROPERTY DESCRIPTION	MUNICIPALITY
Sale	Old School (CNR Station Yards)	Oba
Sale	Road Widening	Ottawa
Sale	Lot 20, Concession 14, Township of North Burleigh City of Peterborough	Peterborough
Sale	Road Widening	South Gower
Sale	Prt Lot 35, Conc. 4, City of Pickering Regional Mun of Durham design. Parts 7 & 8 Ref Plan 40R-19603	Pickering
Sale	SS of Whitevale Rd. Prt Lot 34, Conc. 4 Town of Pickering Parcel 21	Pickering
Sale	SS of Whitevale Rd. Prt Lot 33, Conc. 4 Town of Pickering Parcel 22	Pickering
Sale	285 Whitevale Road, Prt Lot 33, Conc. 4 Parcel 23 Town of Pickering	Pickering
Sale	Prt Lots 31 & 32, Conc. 4, City of Pickering Parcel 25	Pickering
Sale	Prt Lots 31 & 32, Conc. 4, City of Pickering Parcel No. 27	Pickering
Sale	Prt Lot 31, Conc. 4. 478 Fourth Concession Rd. Town of Pickering	Pickering
Sale	ES of Townline Rd. Prt Lot 35, Conc. 4 Town of Pickering.	Pickering
Sale	Prt Lot 34, Conc. 4, City of Pickering Parcel No. 31	Pickering
Sale	WS Altona Rd. Prt Lot 33, Conc. 4 Town of Pickering Parcel 33	Pickering
Sale	Prt Lot 33 Conc. 4. Town of Pickering 240 Fourth concession Rd. Ref. Plan. 40R-19530	Pickering
Sale	Prt Lot 35, Conc. 3. 2765 Townline Road Town of Pickering	Pickering
Sale	Prt Lots 31 and 32, Conc. 3, Town of Pickering des prts 1 & 2 Ref Plan 40R-18984 and Prt 1 Ref: 40R-19575	Pickering
Sale	Prt Lots 28, 29 and 30 Conc. 3 Town of Pickering Des Prts 1, Ref Plan 40R-19566	Pickering
Sale	Prt Lot 32, Conc. 3, Town of Pickering Parcel #45. 9769 Ressor Road Markham	Pickering
Sale	Prt Lot 31, Conc. 3 shown as Parts 16-22 on R Plan 40R-19547 Pickering	Pickering
Sale	Prt Lot 30, Conc. 3 shown as Parts 2-12 on R Plan 40R-19568 2525 Rosebank Rd. Pickering	Pickering
Sale	Prt Lot 29, Conc. 3, City of Pickering Parts 13, 14, 15, 16, and 17 Ref Plan 40R-19568	Pickering
Sale	Prt Lot 29, Conc. 3, Prt 18 Ref. Plan 40R-19568 Parcel 52	Pickering
Sale	960 Concession Rd, Pickering Part Lot 26, Conc. 3 shown Part 1 on Draft Ref. Plan	Pickering

REAL ESTATE/REAL ESTATE SALES DIVISION

DESCRIPTION OF UNDERTAKING	PROPERTY DESCRIPTION	MUNICIPALITY
Sale	970 Concession 3 Road, Part Lot 26, Conc. 3 Town of Pickering Parcel 61	Pickering
Sale	SS Conc. 3 Road, Part Lot 32, Conc. 2 Parcel 64 Town of Pickering	Pickering
Sale	N Pickering Duffin Rouge Land Assembly TPP Parcel 75	Pickering
Sale	Prt Lots 33 & 34, Conc. 2, shown as Part 7 on Ref Plan. 40R-19588 City of Pickering Parcel 77	Pickering
Sale	N Pickering Duffin Rouge Land Assembly TPP Parcel 78	Pickering
Sale	Prt Lots 29 & 30 Conc. 2 shown as Prts 2 & 3 Ref 40R-7724 & Prts 1 & 2 Ref. 40R-18721 Parcel No. 80	Pickering
Sale	Prt Lots 29 & 30 Conc. 2 Town of Pickering, Parcel No. 81	Pickering
Sale	Mississauga - 29 Block 3, 4 & 5	Mississauga
Sale	Pt. Location CL 9874, Pt. of Pcl C, Long Point Peninsula, Twp of Walsingham	Norfolk
Sale	Patten Township Parcel 3334 Algoma Centre	Algoma
Sale	Lot 15, Plan M-6 Walpole, Townsend, City of Nanticoke	Townsend
Sale	Prt. Lots 6 & 7 Conc. 3, Division G, Ref. Plan 61R-368	Guelph
Sale	Part of Lot 103, G.C.T., Township of Woolwich, Reg. Mun. of Waterloo Prt 3 Plan 58R-11955	Waterloo

PROPERTY MANAGEMENT - GTA REGION

DESCRIPTION OF UNDERTAKING	PROPERTY DESCRIPTION	MUNICIPALITY
Renovation	Osgoode Hall, 132 Queen St. W.	Toronto
Renovation Life Safety Upgrade	Queen's Park Complex	Toronto
Alteration Replace Entrance Doors	Downtown Courts, 361 University Ave.	Toronto
Addition	Police Memorial Installation - Whitney Block, 99 Wellesley St. W.	Toronto

PROPERTY MANAGEMENT DIVISION- NORTHERN REGION

DESCRIPTION OF UNDERTAKING	PROPERTY DESCRIPTION	MUNICIPALITY
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No Category "B" Undertakings

PROPERTY MANAGEMENT DIVISION- EASTERN REGION

DESCRIPTION OF UNDERTAKING	PROPERTY DESCRIPTION	MUNICIPALITY
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Sale	MNR Plevna Work Centre, Church St. and Frontenac St.	Clarendon
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PROPERTY MANAGEMENT-SOUTHWEST REGION

DESCRIPTION OF UNDERTAKING	PROPERTY DESCRIPTION	MUNICIPALITY
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Construction	Sun Room - Pratten Building	London
Restoration Repair Existing Fire Pump	Windsor Jail Building, 378 Brock St.	Windsor
Addition New Fascia & Roof	Supreme Court, 21 Seventh St.	Chatham
Alteration Holding Cell Expansion	Courthouse and Addition, 15 Dominon St.	Bracebridge
Addition Barrier Free Ramp	County Courthouse, 700 Christina St.	Sarnia
Alteration Upgrade Building Egress.	County Courthouse, 700 Christina St.	Sarnia
Restoration Fire Alarm Upgrade	County Courthouse, 700 Christina St.	Sarnia
Restoration Roof Repairs	County Courthouse, 700 Christina St.,	Sarnia
Alterations Front Entrance	Sarnia Jail, 700 Christina St.	Sarnia
Alterations Unified Family Ct.	Courthouse & Registry, 59 Church St.,	St. Catharines
Alteration Water Main & Sewage	Huronian Regional Ctr. Cottage C, 700 Memorial Ave.	Orilla
Alteration Replacement Controllers	Huronian Regional Ctr. Cottage C, 700 Memorial Ave.	Orilla
Restoration Repair and Repaint Steel Fence	Huronian Regional Ctr. Cottage C, 700 Memorial Ave.	Orilla
Alteration Roof Replacement	Mental Health Ctr. Adminstration Building,	Penetanguishene
Consulting Services	Mental Health Ctr. Adminstration Building,	Penetanguishene

PROJECT DEVELOPMENT

DESCRIPTION OF UNDERTAKING	PROPERTY DESCRIPTION	MUNICIPALITY
Addition / Alterations	50 Eagle Street West	Newmarket
Renovations	Brockville Psychiatric Hospital, King Street West	Brockville

ONTARIO REALTY CORPORATION

CATEGORY "C" UNDERTAKINGS COMPLETED
IN 1999-2000

PROJECT DEVELOPMENT DIVISION

DESCRIPTION OF UNDERTAKING	PROPERTY DESCRIPTION	MUNICIPALITY
Construction	Courthouse	Owen Sound
Construction	Courthouse	Chatham

ONTARIO REALTY CORPORATION

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ORC Mandate

ORC shall effectively manage the real property assets of the Government of Ontario in a manner that enhances the long-term value to taxpayers, ensures a quality environment for all users of these assets, and promotes environmental responsibility in everything that the ORC does.

Ontario Realty Corporation

Annual Report 2000/2001

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An aerial, high-angle photograph of a modern building's courtyard. The building has a light-colored facade and large windows. A central staircase with a glass railing leads down to a lower level. The courtyard is paved with light-colored tiles and features several large potted plants and a small, curved, light-colored structure. The overall tone is bright and clean.

ORC Vision Statement

**Ontario Realty Corporation: a benchmark in
public sector real estate management.**

Corporate Profile

The Ontario Realty Corporation (ORC) was established in 1993 as a crown corporation. The ORC provides a broad range of real estate services including construction project management, facilities management, portfolio management, and asset rationalization on behalf of Management Board Secretariat (MBS) and its client ministries and agencies.

The ORC has a clear line of accountability: the President and Chief Executive Officer is responsible to the Board of Directors that is in turn accountable to the Chair of the Management Board of Cabinet.

The corporation operates within a real-world triangle of the government agenda, the real estate industry and market conditions. As outlined in the 1999 "Blueprint" document, the government is engaged in "Selling Things We Don't Need." The government is seeking to optimize value to taxpayers by selling underutilized land, buildings and other non-essential holdings that are tying up precious resources.

Rationalizing Ontario's vast real estate portfolio allows strategic reinvestments to be made to facilities that are truly in need. The goal is to bring value to the taxpayer.

The mechanics of operation at the ORC now include moving away from being simply a provider of services to becoming a strategic manager of services. This is being accomplished by outsourcing part of the facility services and all of the land management services.

The ORC manages, on behalf of the province, approximately 44 million square feet of government owned building space and 60,000 acres of land held by MBS. The head office is located in Toronto. The corporation currently operates with approximately 265 full-time equivalent staff.

The corporation has two operating divisions – Real Estate and Facility Management Services – along with the departments of Finance, Administration, IT, Corporate Relations and Legal.

Chairman's Message

As Chairman of the Ontario Realty Corporation, I am proud to lead an organization that offers a real vision to manage the provincial government's real estate portfolio.

As an agency of the Ontario Government, the ORC is committed to fulfilling its mandate and conducting business in a professional, open and accountable manner.

The ORC's senior management team is comprised of skilled professionals, many with extensive real estate experience; it has the expertise and knowledge necessary to deliver on the corporation's mandate.

The ORC maximizes value for taxpayers through its five core services:

- Facilities management
- Real estate services
- Construction project management
- Portfolio management
- Asset rationalization

The ORC is changing focus from being a direct provider of realty services to an innovative service management organization. The result is a market-receptive corporation that partners with suppliers to deliver professional, cost-effective, customer service.

Today's Ontario Realty Corporation is well positioned to meet the needs of the province's dynamic real estate needs, and to make our contribution in support of the Ontario government's commitment to delivering better value to taxpayers.

James McKellar
Acting Chair

Report from the President

From its birth in 1993 as a central agency to manage the accommodation and realty services of ministries and most agencies of the Ontario government, the Ontario Realty Corporation continues to evolve and improve.

As an arms-length agency profoundly influenced by many changes in government and society, we have experienced our challenging times. We have listened, we have learned, and we have responded to all this change and challenge with an unconditional corporate commitment to openness, transparency and accountability at the ORC.

The Ontario government has traditionally owned and managed large amounts of commercial property. Today, the ORC is moving away from delivering services directly to client ministries and agencies towards strategic real estate management. By selectively outsourcing and establishing a pool of private sector real estate brokers, the ORC has optimized its resources while maximizing value for taxpayers.

As a result, in 2000/2001, the ORC exceeded all its major sales and cash targets, meeting its target of being within 10% of the industry standard for operating costs per square foot, and exceeding its occupancy target of 4-5% vacancy rate for CFA properties (actual rate was approximately 2%).

We can successfully complete the transformation of the ORC from being just a public sector service provider to a more entrepreneurial and professional service manager.

Together, we will continue to build the new Ontario Realty Corporation on a solid foundation of accountability, transparency and industry professionalism.

To manage such a vast portfolio, the corporation required a clear sense of direction and a reinvigorated corporate culture.

No longer just a service provider, but now a professional, results-oriented manager of Ontario's public real estate assets, the ORC is moving forward with a twin commitment to business excellence, as an opportunity employer.

Tony Miele
President and Chief Executive Officer
Ontario Realty Corporation

Review of Operations in 2000/2001

The ORC concentrated on several main transformations this year, including the transition to an Operational Enterprise agency, the enhancement of Information Technology systems, and improved communications internally with employees, and externally with ORC's stakeholders.

ORC'S TRANSITION TO AN OPERATIONAL ENTERPRISE AGENCY

In early 2000, the ORC began the process of transforming into its new status as an Operational Enterprise agency.

Accountability is still front and centre with the new ORC. The corporation remains accountable to the Chair of Management Board of Cabinet and is subject to the Freedom of Information Legislation as well as the government's Agency Establishment and Accountability Directive. The Provincial Auditor also continues to review the ORC's financial records.

The primary benefit of the ORC moving to its Operational Enterprise agency status is the ability to compete with the conventional real estate market when it comes to retaining and recruiting real estate professionals. The ORC is in the process of formulating its own human resources policies and administrative directives. In 2001/2002 the ORC will continue to build its team of real estate professionals to improve the operational efficiency and customer service of the corporation.

INFORMATION SYSTEMS ENHANCEMENT

In support of the enhanced restructuring of business, most notably the outsourcing of land and facilities services, the ORC is transforming a number of its Information Technology systems and business processes to improve accountability and professionalism throughout the organization.

The technology systems and operations are undergoing integration advancements to ensure proper information sharing and communication between the service providers and the ORC. The ORC's new information system is being integrated with the information systems of ProFac Facilities Management Services Inc. and DEL Management Solutions Inc., the ORC's external facility and land management providers. The service providers will run their own systems and provide general ledger and inventory information to ORC's new information system. This will increase the timeliness and accuracy of information retrieval between these partners.

COMMUNICATIONS

We have developed open, transparent and accountable operations to enhance communications internally with employees and externally with stakeholders. A number of initiatives were undertaken to support these objectives.

The Ontario Realty Corporation is committed to reaching out to its municipal stakeholders throughout the province of Ontario to answer their questions and to make clear the Corporation's core services. This is being achieved by various initiatives, such as attending municipal conferences and keeping communities updated on matters impacting them locally.

The ORC increased its attendance and exposure at trade shows and conferences in order to strengthen industry partnerships. The Corporation actively participated as an exhibitor at the Rural Ontario Municipal Association (ROMA) conference, at the Northern Ontario Municipal Association (NOMA) conference and at the Association of Municipalities of Ontario (AMO) conference.

Another key development, intended to increase realtor and customer access and knowledge of the ORC's inventory, is the enhancements in functionality of the corporate Web site. The site provides the complete listings of new properties available for sale for at least a 30-day period.

All of these initiatives together strengthen our capacity as a management corporation and assist the ORC to provide the best level of service to our clients – the taxpayers of Ontario.

Operating Business Initiatives

FACILITIES MANAGEMENT SERVICES

This division oversees building operation, maintenance and repair services, private sector lease negotiation and administration, subletting of space, asset management and accommodation planning to ensure the optimal use of space for government programs.

The ORC has been transforming the way it does business to improve customer service. Today the ORC, through targeted outsourcing, is moving away from direct delivery of services to strategic real estate management. In the Greater Toronto Area and Southwestern region, ProFac Facilities Management Services Inc. and DEL Management Solutions Inc. provide facility management services.

A significant achievement for fiscal year 2000/2001 was the achievement of a 2% vacancy rate for Charging for Accommodation (CFA) properties. This exceeded the ORC's occupancy target of a 4-5% vacancy rate.

To enhance customer service, the ORC implemented three customer satisfaction surveys. The targeted groups included OPS occupants, accommodation decision-makers, and third party tenants.

PROJECT MANAGEMENT BRANCH

On behalf of the province, the Project Management Branch (PMB) manages large capital projects, co-ordinates leasehold improvements and delivers repair and retrofit projects involving existing facilities. PMB is customer service driven, operating under a principle of direct and meaningful client involvement in all aspects of decision making, progress reporting and project development. The staff have excellent track record of successful project delivery and client satisfaction.

At the end of 2000/2001, PMB carried responsibility for the delivery of 95 projects in planning, design and construction stages, with a total estimated value of \$900 million. During the period, the Branch successfully carried out \$140 million in project transactions (calculated on the GAAP basis) over a diverse range of project types.

Significant projects in progress this year include the Lindsay, Penetanguishene, and Maplehurst superjails, and the Ottawa Carleton Detention Centre project, with a cash flow of \$78 million. Spending on the Brampton, Owen Sound and Newmarket courts projects accounted for \$15 million, while \$14 million was spent on repair and leasehold improvement projects, plus a range of smaller general projects.

The cost for most projects is recovered from client ministries with PMB charging an industry-comparable fee for its services.

REAL ESTATE SERVICES

This division develops marketing strategies for obtaining fair market value through the sale of surplus assets, property acquisition, appraisal services, real estate planning and development, interim land management and environmental compliance for all real estate activities.

By pursuing strategies focused on real property sales and asset rationalization, the ***ORC exceeded its \$100 million real estate asset sales target and reached \$103.3 million for the fiscal year.***

Management's Discussion and Analysis of Corporate Operations

OPEN AND TRANSPARENT OPERATIONS

The ORC embraces its mandate to conduct its real estate business in an open, transparent and accountable manner. Guidelines and procedures have been established to enhance this corporation wide commitment to high standards of professionalism and transparency.

SALES GUIDELINES

In January 2000, enhanced guidelines and procedures for the sale of government properties were introduced. The enhanced guidelines provide a series of checks and balances within the sales process to ensure that the taxpayer is receiving fair market value for government property.

Under the present guidelines, in order to ensure that a property receives maximum exposure, government properties are regularly offered through qualified real estate brokers. Additionally, the new guidelines require all potential sales to be approved by the ORC Board of Directors.

EXTERNAL REVIEW OF THE ORC'S SALES GUIDELINES AND PROCEDURES

Ernst & Young's external review of the ORC's "Guidelines and Procedures, Real Estate Sales" concluded in January 2001, brought a resounding endorsement of the current ORC business practices. The report examines comparable real estate industry guidelines and states that the ORC guidelines and procedures meet or exceed them in all categories.

Clearly defined procedures and guidelines comprise the basic platform in assuring that best practices are a reality in day-to-day functioning as a business entity.

The Ernst & Young report concludes:

"When compared to the practices of other organizations, it can be concluded that the ORC's real estate disposition practices are more stringently governed than in other real estate organizations, and that the process is designed to ensure maximum market exposure of all real estate assets in an effort to generate a competitive environment resulting in the ORC achieving the best possible sales terms, while being fair to all potential purchasers in the process."

RESPONDING TO QUESTIONS ABOUT PAST SALES TRANSACTIONS

An ORC priority in 2000/2001 was responding to allegations about past sales transactions in an open, transparent and accountable manner. The ORC Board of Directors, Chief Executive Officer and senior management staff put a number of measures immediately in place to respond to allegations of potential wrongdoing in relation to past sales transactions. These actions included:

1. Reporting the matter to the Ontario Provincial Police;
2. Retaining litigation counsel and commencing civil legal action against certain ORC suppliers, property purchasers, and former ORC employees;
3. Retaining Grant Thornton, an audit firm, to review sales transactions from January 1, 1994 to March 31, 2000;
4. Retaining Porter Hetu, a separate audit firm, to review sales transactions for the period 1985 to 1993, inclusive, to complete the 15 year review requested by ORC's Board.

In January 2001, a Status Update was received by the ORC Board of Directors from Grant Thornton. The report gave a clean bill of health to the current management team at the ORC.

"...Grant Thornton found no evidence of wrongdoing on the part of the Chair of Management Board, his Office personnel, MBS's executive management staff, ORC's Board of Directors, ORC's Chief Executive Officer, or ORC's executive management staff."

*Grant Thornton LLP
Chartered Accountants
Management Consultants*

The status update findings allow the corporation to move forward with confidence in the executive team.

Environmental Due Diligence at ORC

Since 1992, Management Board Secretariat (MBS) has had a Class Environmental Assessment Process (Class EA) for Realty Activities in keeping with the Environmental Assessment Act. The Class EA sets out an approved environmental assessment procedure for MBS. Using this procedure, MBS can carry out environmental assessments consistently on a wide range of activities associated with properties owned or leased by the Ontario Government. The ORC is the agency responsible for managing the MBS real estate portfolio including environmental assessment activities.

The current MBS Class EA lapses on June 9, 2001. The ORC has initiated a project for the renewal of the Class EA. The purpose of this Class EA Renewal Project is to revise and update the Class EA and obtain approval from the Ministry of the Environment for a five to ten year plan.

Consultation with all levels of government and the public is an important component of the renewal project. As such the website: <http://www.orc.on.ca> provides documentation including a Proposed Draft Class Environmental Assessment Process for Realty Activities for the public to review.

The ORC is also in the process of updating the Cultural Heritage Process and Manual of Guidelines. These documents represent the MBS/ORC commitment to protecting and managing cultural heritage resources in the MBS/ORC portfolio.



ORC Vision

The ORC delivers services on behalf of the Ontario Government through an open, transparent and accountable process that builds upon the respective strengths of government and the private sector.

The ORC will become a premier real estate corporation. Emulated by others, it will deliver value, service, and innovative solutions for its clients and the Ontario taxpayer.

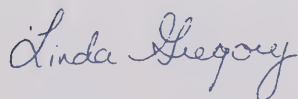
Responsibility for Financial Reporting

The accompanying financial statements of the Ontario Realty Corporation have been prepared in accordance with accounting principles generally accepted in Canada and are the responsibility of management. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to May 24, 2001.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal controls. Management maintains a system of internal controls designed to provide reasonable assurance that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities. An internal audit function, managed by Management Board Secretariat, independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its findings to management and the Board of Directors.

The financial statements have been audited by the Provincial Auditor. The Provincial Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditor's Report, which appears on the following page, outlines the scope of the Auditor's examination and opinion.

On behalf of Management:



Linda Gregory
Chief Financial Officer & Treasurer (Acting)
May 24, 2001

Auditor's Report

Office of the
Provincial Auditor
of Ontario



Bureau du
vérificateur provincial
de l'Ontario

Box 105, 15th Floor, 20 Dundas Street West, Toronto, Ontario M5G 2C2
B.P. 105, 15^e étage, 20, rue Dundas ouest, Toronto (Ontario) M5G 2C2
(416) 327-2381 Fax: (416) 327-9862

Auditor's Report

To the Ontario Realty Corporation,
Chair of the Management Board of Cabinet,
and to the Minister of Finance

I have audited the balance sheet of the Ontario Realty Corporation as at March 31, 2001 and the statements of operations and retained earnings and of cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
May 24, 2001

A handwritten signature in blue ink, appearing to read 'Erik Peters'.

Erik Peters, FCA
Provincial Auditor

Balance Sheet

ONTARIO REALTY CORPORATION
(A Crown Corporation of the Province of Ontario)
(in thousands of dollars)

As at March 31 **2001** **2000**

ASSETS

CURRENT ASSETS

Cash	\$ 3,447	\$ 8,672
Prepaid expenses	24	89
Accounts receivable	10,997	504
Future recoveries from Management Board Secretariat (note 2)	9,435	18,167
	23,903	27,432
Capital assets (note 3)	435	325
	\$24,338	\$27,757

LIABILITIES AND RETAINED EARNINGS

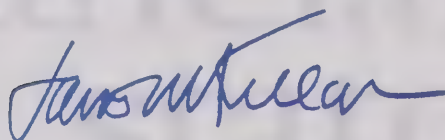
CURRENT LIABILITIES

Accounts payable and accrued liabilities	\$ 8,189	\$ 6,139
Provision for severance costs (note 2)	9,435	18,167
Current portion of capital lease obligations (note 4b)	176	-
	17,800	24,306
Capital lease obligations (note 4b)	72	-
RETAINED EARNINGS	6,466	3,451
	\$24,338	\$27,757

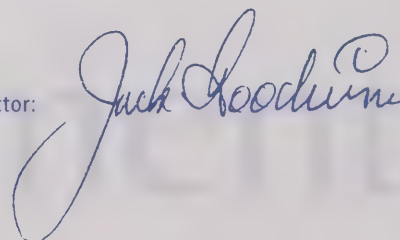
See Notes to Financial Statements

On behalf of the Board:

Chair:



Director:



Statement of Operations and Retained Earnings

ONTARIO REALTY CORPORATION
(A Crown Corporation of the Province of Ontario)
(in thousands of dollars)

Year Ended March 31	2001	2000
REVENUES		
Management fees	\$10,240	\$10,868
Expense reimbursement (in lieu of fees)	24,239	24,425
Direct recoverable costs	10,948	13,926
Bank interest and other income	297	368
	\$45,724	\$49,587
EXPENDITURES		
Salaries and benefits	\$22,737	\$28,716
Direct operating expenditures	17,488	11,117
Administrative expenses (note 6)	1,686	6,923
Depreciation	785	325
Interest on capital lease obligations	13	-
	42,709	47,081
NET OPERATING SURPLUS BEFORE SEVERANCE COSTS	3,015	2,506
Provision for severance costs (note 2)	4,032	(6,155)
Future recoveries from Management Board Secretariat (note 2)	(4,032)	6,155
NET OPERATING SURPLUS	\$ 3,015	\$ 2,506
RETAINED EARNINGS, BEGINNING OF YEAR	3,451	945
RETAINED EARNINGS, END OF YEAR	\$ 6,466	\$ 3,451

See Notes to Financial Statements

Statement of Cash Flows

ONTARIO REALTY CORPORATION
(A Crown Corporation of the Province of Ontario)
(in thousands of dollars)

Year Ended March 31	2001	2000
---------------------	------	------

CASH FLOWS FROM OPERATING ACTIVITIES:

Net operating surplus	\$ 3,015	\$ 2,506
Adjustments for:		
Depreciation	785	325
Provision for severance costs	(4,032)	6,155
Future recoveries from		
Management Board Secretariat (note 2)	4,032	(6,155)
	3,800	2,831

Changes in non cash working capital

Increase in accounts receivable	(10,493)	(504)
Decrease (increase) in prepaid expenses	65	(89)
Increase (decrease) in accounts payable and accrued liabilities	2,050	(3,526)
	(4,578)	(1,288)

CASH FLOW FROM INVESTING ACTIVITIES:

Purchase of capital assets (note 3)	(267)	-
-------------------------------------	-------	---

CASH FLOWS FROM FINANCING ACTIVITIES:

Severance payments made during year	(4,700)	(13,688)
Severance recoveries from Management Board Secretariat during year (note 2)	4,700	13,688
Repayment of capital lease obligations	(380)	-
	(380)	0

Net decrease in cash	(5,225)	(1,288)
Cash beginning of year	8,672	9,960

CASH END OF YEAR	\$ 3,447	\$ 8,672
-------------------------	-----------------	-----------------

See Notes to Financial Statements

Notes to Financial Statements

ONTARIO REALTY CORPORATION
(A Crown Corporation of the Province of Ontario)
(in thousands of dollars)

Year ended March 31, 2001

NATURE OF THE CORPORATION

The Ontario Realty Corporation (the Corporation) was incorporated under the Capital Investment Plan Act 1993 as a Crown Corporation of the Province of Ontario (the Province).

The Corporation provides project management, real estate and property management services to ministries and agencies of the Ontario government that directly own assets or require the Corporation's real estate services. The Corporation manages 52.1 million rentable square feet, 44.4 million owned by the Province and 7.7 million leased from the private sector at locations across the Province.

As a Crown Corporation and service organization of the Province the Corporation is exempt from income taxes.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. Significant accounting policies followed in preparation of these financial statements are:

(a) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions relating to revenues and expenses which affect the reported amounts of assets, liabilities and related disclosures as of the date of the financial statements. Actual amounts could differ from these estimates.

(b) Capital Assets

Capital assets in excess of one thousand dollars with a future useful life beyond the current year are capitalized at cost. Capital assets are comprised of computer hardware and software and are amortized on a straight line basis over three years.

(c) Employee Benefit Plans

The Corporation provides pensions benefits to its classified full-time employees through participation in the Public Service Pension Fund and the Ontario Public Service Employees' Pension Fund. These plans are accounted for as multiemployer defined benefit pension plans as the Corporation has insufficient information to apply defined benefit plan accounting. The expense represents the Corporation's contributions to the plans during the year.

SEVERANCE COSTS

The severance provision provides for staff severance costs associated with the Corporation's re-organization and the contracting out of its facilities and land management services. These severance costs are funded by MBS. The changes in the severance provision are as follows:

March 31	2001	2000
Severance provision, beginning of year	\$18,167	\$25,700
Increase (decrease) provision	(4,032)	6,155
Severance expenditures	(4,700)	(13,688)
Severance provision, end of year	\$ 9,435	\$18,167

CAPITAL ASSETS

Capital assets consist of the following:

March 31		2001		2000
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Computer hardware and software	\$1,240	\$1,063	\$177	\$325
Computer hardware and software under capital lease	628	370	258	-
	\$1,868	\$1,433	\$435	\$325

Capital assets were acquired at an aggregate cost of \$895 of which \$628 were acquired by means of capital leases. Cash payments of \$267 were made to purchase capital assets.

Certain capital assets are not reflected in the financial statements as they are provided at no charge to the Corporation by MBS.

LEASE COMMITMENTS

a) Operating

Operating leases are expensed in accordance with terms of the lease agreements. Under the terms of operating leases for government owned space and vehicles, the Corporation is committed to rental payments as follows:

For the year ending March 31

2002	\$ 978
2003	854
	\$ 1,832

b) Capital

The Corporation leases substantially all of its computer equipment and vehicles. Leases which in effect represent the acquisition of an asset and incurrence of a liability are recorded as the purchase of an asset and the related liability is included under "Capital lease obligations".

The following is a schedule of future minimum lease payments under the capital leases expiring March 31, 2004 together with the balance of the capital lease obligations.

For the year ending March 31

2002	\$ 176
2003	83
2004	6
Total minimum lease payments	265
Less: amount representing interest at 5.7%	17
Balance of obligation	248
Less: current portion	176
Long-term portion	\$ 72

CONTINGENCIES

The Corporation is acting as an agent of the Ontario Government. As such, the Corporation is entitled to be indemnified against all liabilities properly incurred in the course of exercising its actual authority on behalf of the Ontario Government.

RELATED PARTY TRANSACTIONS

In addition to the cash reflected on the balance sheet, the Corporation maintains several other operating bank accounts and one capital reserve bank account. Funds in these accounts are held "in trust", administered on behalf of MBS and relate directly to the operation of MBS owned and leased properties or services provided to other ministries or agencies of the Ontario government. As of March 31, 2001 the cash balances of the aggregated operating accounts and one capital reserve account were \$38,646 (2000-\$23,814) and \$56,118 (2000-\$19,128) respectively.

The accounts receivable include \$10,854 (2000-\$457) from MBS and other Ministries.

Administrative expenses include: accounting, human resources, audit, information and data processing, legal and communication services purchased from MBS.

The cost of post-retirement non-pension employee benefits were paid by MBS and are not included in the Statement of Operations and Retained Earnings.

The Corporation is economically dependant on the Province as all of the revenues received from the Province for the provision of services are under the control of the Minister/Chair of Management Board of Cabinet.

PENSION PLAN

The Corporation provides pension benefits for all its full-time classified employees through participation in the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees' Pension Fund (OPSEU Pension fund) established by the Province.

The Corporation's required contributions related to the pension plans for the year ended March 31, 2001 were \$757 (2000-\$1,695) and are included in the salaries and benefits in the Statement of Operations and Retained Earnings.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of cash, accounts receivable, accounts payable and accrued liabilities approximate their fair values because of the short term maturity of these instruments.

SALARY DISCLOSURE

The Public Sector Salary Disclosure Act, 1996 requires disclosure of Ontario public sector employees paid an annual salary in excess of \$100,000. For the Corporation, this disclosure for the 2000 calendar year is as follows:

Name	Position	Salary Paid	Taxable Benefits
Bauman, Kenneth A.	Vice President, GTA Facilities Mgt.	\$102,061.74	\$351.36
Farrugia, MaryLee	General Counsel & Corp. Secretary	\$122,169.20	\$297.65
Gregory, Linda S.	Chief Financial Officer	\$116,858.00	\$312.94
Kessel, Clive D.	VP-ASD/Outsourcing	\$100,173.09	\$279.12
Leroux, Peter	Senior Vice President Facility Services	\$134,832.09	\$385.68
Massiah, Erwin	Vice President, Facility Services (GTA)	\$106,171.85	\$262.99
Miele, Tony	Chief Executive Officer	\$203,460.07	\$122.61
Searchfield, Bradley	Senior Vice President Real Estate & Sales	\$122,793.32	\$351.36

Corporate Directory

BOARD OF DIRECTORS

The ORC's government; appointed Board of Directors is comprised of a group of individuals who bring to the organization a depth of private and public sector expertise in all areas of real estate. It is their vision for the future, together with the strong leadership of the ORC's senior management team, that has helped the ORC implement successful partnerships with the private sector through formal, public Request for Proposal processes and institute recognized private sector business practices into its operations. The aggregate remuneration for the members of the Board of Directors for the 2000/01 fiscal year was \$88,680.

James McKellar – Acting Chair

Michael A. Barker

John J. Fogolin

Michael Fenn

Jack Goodwin

Harold Gould

Stephen Lim

Ross Rigney

Ron Vrancart

SENIOR MANAGEMENT

Tony Miele – President and Chief Executive Officer

Brad Searchfield – Senior Vice President, Real Estate and Sales Division

Peter Leroux – Senior Vice President, Facilities Services Division

Linda Gregory – Acting Chief Financial Officer and Treasurer

Tobin Lambie – Vice President, Corporate Relations

MaryLee Farrugia – General Counsel and Corporate Secretary



ORC Inquiries

General Inquiry:	416-327-3937
Fax:	416-327-1906
Toll Free:	1-877-863-9672
Internet Address:	www.orc.on.ca

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ORC MANDATE

ORC shall effectively manage the real property assets of the Government of Ontario in a manner that enhances the long-term value for taxpayers, ensure a quality environment for all users of these assets, and promotes environmental responsibility in everything that the ORC does.



ONTARIO REALTY CORPORATION ANNUAL REPORT 2001/2002

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The ORC is a market-receptive corporation that partners with private sector suppliers to deliver more professional, strategic, and cost-effective services to its customers.



C O R P O R A T E P R O F I L E

Delivering Value Through Dynamic Real Estate Management

On behalf of the Ontario Government, the Ontario Realty Corporation (ORC) manages, one of the largest real estate portfolios in Canada. This province-wide portfolio features over 6,000 buildings, represents approximately 50-million square feet of space, and 40,000 acres of vacant or surplus land.

As a business-focused Crown Corporation, the ORC has a commercial mandate to rationalize the province's substantial real estate needs.

Originally conceived as a service provider of real estate services when it was established in 1993, the Corporation is repositioning its focus from being a direct provider of realty services to an innovative service management organization. The result is a market-receptive corporation that partners with private sector suppliers to deliver more professional, strategic, and cost-effective services to its customers.

An experienced team of professional senior managers and a government-appointed Board of Directors – each with a depth of public and private sector and real estate expertise – leads the ORC. It is their strong leadership and vision for the future that has helped the ORC implement successful partnerships with the private sector through formal, transparent sales transactions, public Request for Proposal processes and institute recognized private sector business practices in its operations.

Operating as an agency of the Management Board Secretariat (MBS), the ORC has a clear line of accountability to the Government of Ontario. The President & CEO is responsible and accountable to the ORC's Chair and Board members; the Board is accountable to the Chair of Management Board; and the MBS Chair reports to the Ontario Cabinet. In essence, the Ontario Realty Corporation is accountable to the taxpayers of Ontario.

MESSAGE FROM THE CHAIR

With this new status, the ORC is committed to improving on its customer focus while providing business solutions for its clients and customers.

As Chair of the Ontario Realty Corporation, I am honored to take an active and important role in leading this organization as it enhances its services and provides innovative solutions that optimize the benefits for Ontario taxpayers.

The ORC is a benchmark for public sector real estate management with a strong customer focus that strives to exceed expectations while achieving optimum value for the taxpayer.

This year, the ORC also achieved new status as an Operational Enterprise Agency of the Government of Ontario. With this new status, the ORC is committed to improving on its customer focus while providing business solutions for its clients and customers.

As a business-focused organization, the ORC provides value through its core services that include facilities management, portfolio management, construction project management, real estate services and asset rationalization.

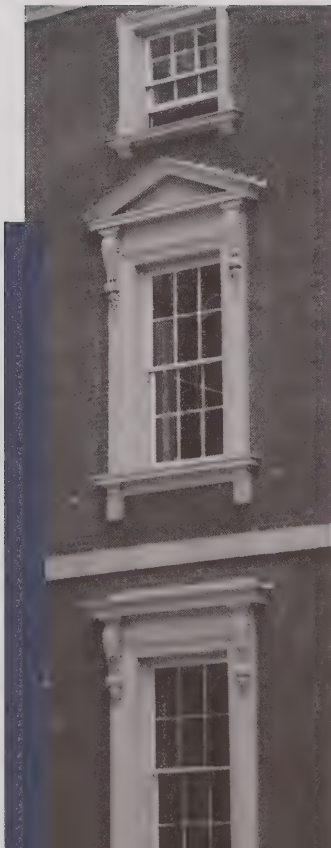
Through creativity and hard work, the ORC has been able to solve complex real estate challenges and deliver solutions that have created significant economic impact for Ontario communities. In Thunder Bay, the ORC helped secure the future of the 550-acre Kamview Nordic Centre by facilitating its sale to the Thunder Bay Nordic Trails Association, a 2,400-member volunteer organization which had leased the site from the Province since 1989. In the recent past, the Town of Markham benefited from IBM's purchase of government land that now houses a state-of-the-art research facility, employing hundreds in the community.

As well, this past year, the ORC has been involved in more than \$100 million in capital construction activity involving the construction of new courthouses and correctional facilities for Justice ministries.

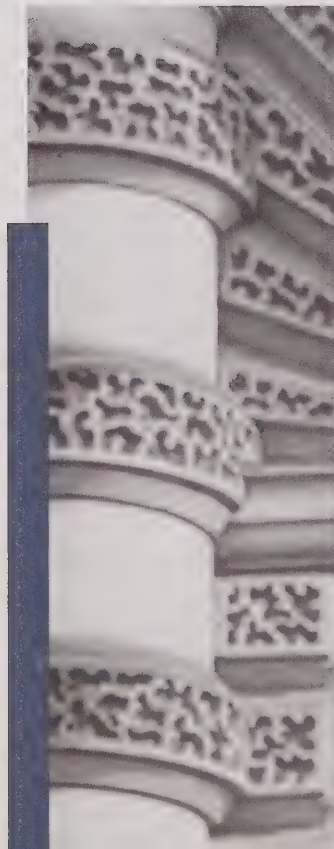
In addition to its core responsibilities, the ORC delivers value-added customer service including building maintenance, repair and operational services, lease negotiation, administration, subletting space and accommodation planning.

As Chair of the ORC, I will ensure that the Board will continue to bring accountability and excellence to the organization and operate in the best interests of both the government and the taxpayers of Ontario.

Scott White
Chair



This new status will allow the ORC the opportunity to improve customer service and build upon improvements already made to ensure the government's real estate portfolio is managed in an open and professional manner.



This past year, the Ontario Realty Corporation completed a significant transition to an Operational Enterprise Agency. This is an important step that will allow us more independence and flexibility while maintaining our accountability to the provincial government.

This new status, which took effect November 30, 2001, will allow the ORC the opportunity to improve customer service and build upon improvements already made to ensure the government's real estate portfolio is managed in an open and professional manner.

This change means the ORC is better positioned to compete with the conventional real estate market when it comes to retaining and recruiting real estate professionals. It is through an experienced staff that we are able to provide innovative ideas to client ministries and manage property to enhance value for the taxpayers of Ontario.

The ORC operates in an environment that is both responsible and responsive. We plan to build on our strengths and have developed key corporate objectives that will fulfill our service and business oriented mandate. They are:

- enhancing owner and customer satisfaction;
- effecting full implementation of an Operational Enterprise Agency as a mandatory service provider; and,
- optimizing value of the province's assets.

The ORC has moved away from simply delivering services directly to clients and toward strategic portfolio management. This has also allowed us to play a pivotal role in key transactions. Underutilized provincial land has been strategically repositioned into an economic engine that has created jobs and further opportunity for Ontario.

The ORC is firmly committed to listening to its business, community and municipal stakeholders. We have undertaken extensive outreach initiatives such as attending conferences and events throughout Ontario including the Association of Municipalities of Ontario and the Ontario East Municipalities meetings.

These are exciting times for the ORC and I look forward to the challenges ahead as we continue to provide leadership, value and innovation to our customers and the taxpayers of Ontario.

Tony Miele
President and Chief Executive Officer

2001/2002 HIGHLIGHTS

"The ORC is committed to reaching out to the communities in which it operates, listening to its stakeholders and setting a benchmark in public sector real estate management. We're listening."

Tony Miele, President & CEO of the ORC

An Operational Enterprise Agency

On November 30, 2001, the ORC completed its transition to an Operational Enterprise Agency. This major step in the corporation's history will allow the ORC to better compete in the real estate market, retain and recruit the best real estate professionals, and above all, help the ORC meet its continuing commitment to improve customer service.

While this transition will allow the ORC to be more responsive to the real estate market, it will ensure the province's real estate portfolio is managed in an open, transparent and professional manner.

Focused on the Customer

The ORC as one of Canada's largest real estate management companies delivers a broad range of services to a diverse set of customers. In the past year, the ORC continued to build on its commitment to reach out across the province to listen to its customers and work together with municipalities and individual ministries.

In 2001-2002, representatives from the ORC attended the Rural Ontario Municipal Association/Ontario Good Roads Association Conference in February, and in May, the ORC representatives traveled to northern Ontario to attend the Northwestern Ontario Municipalities Association's annual convention in Fort Frances as well as the Federation of Northern Ontario Municipalities meeting in Wawa. The ORC continued its strong presence at the Association of Municipalities of Ontario's annual conference in August, and joined representatives at the Eastern Ontario Municipal Association's conference in September.

The ORC also continued its participation in the successful Doors Open Toronto program, which gives the public access to city's great historical landmarks. The ORC was pleased to offer people a rare glimpse into the 137 year old Don Jail.





Setting a Global Standard

The ORC was privileged to host international delegations from Jamaica and China during 2001.

Representatives of the Ministry of Construction from China's Provincial Government of Liaoning visited with the ORC staff to learn better ways to manage government construction projects.

"China is facing challenges in its economic reform and the ORC's insight and presentation was a core part of the delegation's visit to Ontario."

- Scott Shi, translator for the delegation from the Ministry of Construction, Provincial Government of Liaoning, China

The ORC staff once more opened its doors and shared its experiences and insight with a visiting international delegation when it met with representatives from Jamaica's National Land Agency (NLA) in September.

"The National Land Agency was impressed by the organizational model adopted by the ORC to manage Ontario's public real estate."

- Elizabeth Stairs, CEO of the National Land Agency of Jamaica

Creating Opportunity

In Thunder Bay, the ORC helped secure the future of the 550-acre Kamview Nordic Centre by facilitating its sale to the Thunder Bay Nordic Trails Association, which had leased the site from the Province since 1989.

Since 1989, this Association – a not-for-profit volunteer organization of 2,400 members who maintain ski and bike trails in the Thunder Bay area – had made substantial capital investments in this vital recreation site.

"Our volunteers and staff spend a lot of time and energy making the Kamview Nordic Centre a premier recreation area. We are tremendously excited at this opportunity."

- Paul Higgins, President
Thunder Bay Nordic Trails Association

In the recent past, the ORC worked cooperatively with its municipal partners in Markham and Cambridge, and played a key role in helping to facilitate the sale of surplus land, which led to the creation of hundreds of jobs and will ensure a stronger economic future for both communities.

In Cambridge, the ORC worked closely with the City to facilitate the sale of 500 acres of vacant land for the creation of the Cambridge Business Park. The Cambridge Business Park will lead to the creation of 800 new jobs with \$2 million in additional tax revenue for the City of Cambridge. The Park is now home to the Loblaw's southwestern Ontario distribution centre and a new manufacturing facility for Seaforth Creamery.

"The ORC was great to deal with in the purchase of the Cambridge Industrial Park land. The professional staff listened and were incredibly responsive to our needs."

- Doug Craig, Mayor, City of Cambridge

September 2001 marked the opening of IBM's state-of-the-art research facility in Markham. The new facility is home to 2,500 employees and will be instrumental in bringing additional investment to the Town of Markham. The ORC played a key role in facilitating the sale of underutilized provincial land to IBM.

"It took major cooperation on the part of the ORC with the private sector to pull it together... the way it worked out was a credit to provincial cooperation with the municipality."

- Don Cousens, Mayor, Town of Markham



MANAGEMENT DISCUSSION AND REVIEW OF OPERATIONS

A Benchmark in Public Sector Real Estate Management

The ORC provides a broad range of real estate services including construction management, facilities management, portfolio management and asset rationalization on behalf of Management Board Secretariat and its client ministries.

The corporation operates within the framework of the government agenda, the real estate industry and market conditions. Today, the ORC is moving away from delivering services directly to client ministries and agencies, to strategic portfolio management.

Rationalizing Ontario's vast real estate portfolio allows strategic reinvestments to be made to facilities that are truly in need.

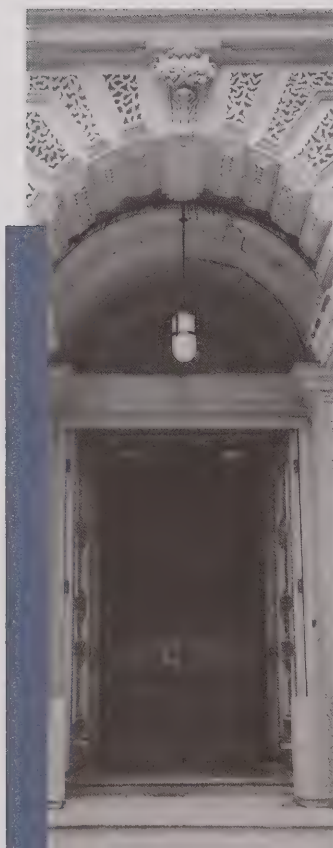
Open and Accountable

The ORC is committed to reaching out to its stakeholders throughout the province of Ontario to answer their questions and to make clear the corporation's core services.

The ORC embraces its mandate to operate in an open, accountable and professional manner. Our new guidelines and procedures for the sale of public assets require separate planning, appraisal and marketing teams.

These procedures have been independently reviewed and found to meet or exceed current industry standards.





Facilities Management

This division oversees building operation, maintenance and repair services, private sector lease negotiation and administration, subletting of space, asset management and accommodation planning to ensure the optimal use of space for government programs.

The ORC has been transforming the way it does business to improve customer service. Today, the ORC, through targeted outsourcing, is moving away from direct delivery of services to strategic real estate management. In the Greater Toronto Area and Southwestern region, ProFac Facilities Management Services Inc. and Del Management Solutions Inc. provide facility management.

A significant accomplishment for fiscal year 2001/2002 was the achievement of an average monthly vacancy rate of 1.86 per cent for Charging for Accommodation (CFA) properties. The CFA applies to properties that are in active use. The 1.86 percent rate exceeded the ORC's target of a 2-3 per cent vacancy rate.

Real Estate Services

The division develops marketing strategies to obtain fair market value through the sale of real estate assets. The division also provides property acquisition and real estate services, real estate planning and development, interim land management and environmental compliance for all real estate activities and inventory management.

In 2001/2002, by pursuing strategies focused on real property sales and asset rationalization, the ORC achieved \$47 million in real estate asset sales for the fiscal year.

Project Management Branch

This important division manages more than \$200 million annually in new construction projects including major building projects, repair and alteration projects funded by provincial government ministries and agencies.

Project Management Branch (PMB) made significant progress in improving its already impressive customer service record. In addition, PMB has enhanced its client relationships by adopting the ORC's new mandate of innovation and efficiency.

In 2001/2002, PMB moved forward in meeting several of the ORC's objectives:

- Responsibility for the delivery of 95 projects in planning, design and construction stages, with a total estimated value of \$1 billion.
- Successfully carrying out \$125 million in project transactions (calculated on the GAAP basis) over a diverse range of project types.
- Significant projects in progress this year include the Lindsay, Penetanguishene, and Maplehurst correctional facilities, and the Ottawa Carleton Detention Centre project.
- \$14 million invested in Brampton, Owen Sound and Chatham courthouse projects.
- Over \$42 million invested in repair, leasehold and general improvement projects.
- The cost for most projects is recovered from client ministries with PMB charging an industry-comparable fee for its services.



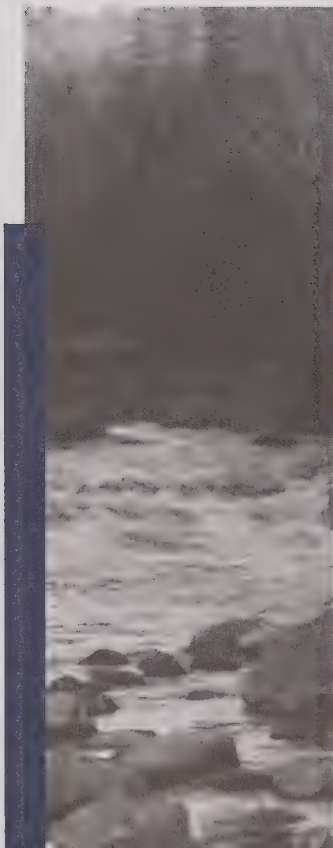
ENVIRONMENTAL DUE DILIGENCE AT THE ORC

Since 1992, Management Board Secretariat (MBS) has had a Class Environmental Assessment Process (Class EA) for realty activities in keeping with the Environmental Assessment Act. The Class EA sets out an approved environmental assessment procedure for MBS. Using this procedure, MBS can carry out environmental assessments consistently on a wide range of activities associated with properties owned or leased by the Ontario Government. The ORC is the agency responsible for managing the MBS real estate portfolio including environmental assessment activities.

The ORC has initiated a project for the renewal of the Class EA. The purpose of this Class EA Renewal Project is to revise and update the Class EA and obtain approval from the Ministry of the Environment for a five to ten year plan.

In February 2002, the ORC received approval from the Minister of the Environment for the Terms of Reference for the new Class EA. Consultation with all levels of government and the public is an important component of the renewal project.

The ORC is also in the process of updating both the Cultural Heritage Process and Manual of Guidelines. These documents represent the MBS/ORC commitment to protecting and managing cultural heritage resources in the MBS/ORC portfolio.



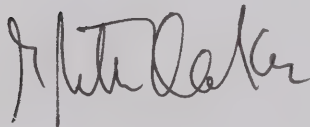
RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of the Ontario Realty Corporation have been prepared in accordance with accounting principles generally accepted in Canada and are the responsibility of management. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to June 14, 2002.

The Board of Directors is responsible for ensuring that management fulfill its responsibilities for financial reporting and internal controls. Management maintains a system of internal controls designed to provide reasonable assurance that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities. An internal audit function, managed by Management Board Secretariat, independently evaluates the effectiveness of these internal controls on an on-going basis and reports its findings to management and the Board of Directors.

The financial statements have been audited by the Provincial Auditor. The Provincial Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditor's Report, which appears on the following page, outlines the scope of the Auditor's examination and opinion.

On behalf of Management:



Peter Oakes
Chief Financial Officer & Treasurer
June 14, 2002



Linda Gregory
Vice President Finance & Controller
June 14, 2002

AUDITOR'S REPORT

Office of the
Provincial Auditor
of Ontario



Bureau du
vérificateur provincial
de l'Ontario

Box 105, 15th Floor, 20 Dundas Street West, Toronto, Ontario M5G 2C2
B.P. 105, 15e étage, 20, rue Dundas ouest, Toronto (Ontario) M5G 2C2
(416) 327-2381 Fax: (416) 327-9862

Auditor's Report

To the Ontario Realty Corporation,
Chair of the Management Board of Cabinet,
and to the Minister of Finance

I have audited the balance sheet of the Ontario Realty Corporation as at March 31, 2002 and the statements of operations and retained earnings and of cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in dark ink, appearing to read 'Erik Peters'.

Toronto, Ontario
June 14, 2002

Erik Peters, FCA
Provincial Auditor

BALANCE SHEET

ONTARIO REALTY CORPORATION
(A Crown Corporation of the Province of Ontario)
(in thousands of dollars)

As at March 31 2002 2001

ASSETS

CURRENT ASSETS

Cash	\$ 13,101	\$ 3,447
Prepaid expenses	690	24
Accounts receivable	8,593	10,997
Future recoveries from Management Board Secretariat (note 2)	2,500	9,435
	24,884	23,903
Capital assets (note 3)	756	435
	\$ 25,640	\$ 24,338

LIABILITIES AND RETAINED EARNINGS

CURRENT LIABILITIES

Accounts payable and accrued liabilities	\$ 5,985	\$ 8,189
Provision for severance costs (note 2)	2,500	9,435
Current portion of capital lease obligations (note 4b)	192	176
	8,677	17,800
Capital lease obligations (note 4b)	93	72
RETAINED EARNINGS	16,870	6,466
	\$ 25,640	\$ 24,338

See Notes to Financial Statements

On behalf of the Board:



Chair:



Director:

STATEMENT OF OPERATIONS AND RETAINED EARNINGS

ONTARIO REALTY CORPORATION
(A Crown Corporation of the Province of Ontario)
(in thousands of dollars)

Year Ended March 31	2002	2001
REVENUES		
Management fees	\$ 10,522	\$ 10,240
Expense reimbursement (in lieu of fees)	34,088	24,239
Direct recoverable costs	4,339	10,948
Bank interest and other income	399	297
	<u>\$ 49,348</u>	<u>\$ 45,724</u>
EXPENDITURES		
Salaries and benefits	\$ 26,182	\$ 22,737
Direct operating expenditures	10,293	17,488
Administrative expenses (note 6)	1,710	1,686
Depreciation	739	785
Interest on capital lease obligations	20	13
	<u>38,944</u>	<u>42,709</u>
NET OPERATING SURPLUS BEFORE SEVERANCE COSTS	10,404	3,015
Provision for severance costs (note 2)	935	4,032
Future recoveries from Management Board Secretariat (note 2)	(935)	(4,032)
NET OPERATING SURPLUS	\$ 10,404	\$ 3,015
RETAINED EARNINGS, BEGINNING OF YEAR	6,466	3,451
RETAINED EARNINGS, END OF YEAR	\$ 16,870	\$ 6,466

See Notes to Financial Statements

STATEMENT OF CASH FLOWS

ONTARIO REALTY CORPORATION
(A Crown Corporation of the Province of Ontario)
(in thousands of dollars)

Year Ended March 31	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net operating surplus	\$ 10,404	\$ 3,015
Adjustments for:		
Depreciation	739	785
Provision for severance costs	(935)	(4,032)
Future recoveries from Management Board Secretariat (note 2)	935	4,032
	11,143	3,800
Changes in non cash working capital		
Decrease (increase) in accounts receivable	2,404	(10,493)
Decrease (increase) in prepaid expenses	(666)	65
Increase (decrease) in accounts payable and accrued liabilities	(2,204)	2,050
	10,677	(4,578)
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of capital assets (note 3)	(788)	(267)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Severance payments made during year	(6,000)	(4,700)
Severance recoveries from Management Board Secretariat during year (note 2)	6,000	4,700
Repayment of capital lease obligations	(235)	(380)
	(235)	(380)
Net decrease in cash	9,654	(5,225)
Cash beginning of year	3,447	8,672
CASH END OF YEAR	\$ 13,101	\$ 3,447

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2002

NATURE OF THE CORPORATION

The Ontario Realty Corporation (the Corporation) was established under the Capital Investment Plan Act 1993 as a Crown Corporation of the Province of Ontario (the Province).

The Corporation provides project management, real estate and property management services to ministries and agencies of the Ontario government that directly own assets or require the Corporation's real estate services. The Corporation manages 49.4 million rentable square feet, of which 41.3 million is owned by the Province and 8.1 million is leased from the private sector at locations across the Province. The Corporation does not hold title to the managed land and buildings and therefore the land and buildings are not reflected in these financial statements. Any surplus funds shall, upon the instructions of the Minister of Finance, be paid to the Consolidated Revenue Fund of the Province of Ontario. In determining the amount payable, if any, the Minister of Finance shall ensure that the payment will not impair the Corporation's ability to pay its liabilities, to meet its obligations as they become due or to fulfill its contractual commitments.

As a Crown Corporation and service organization of the Province, the Corporation is exempt from income taxes.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. Significant accounting policies followed in preparation of these financial statements are:

(a) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions relating to revenues and expenses which affect the reported amounts of assets, liabilities and related disclosures as of the date of the financial statements. Actual amounts could differ from these estimates.

(b) Capital Assets

Capital assets in excess of one thousand dollars with a future useful life beyond the current year are capitalized at cost. Capital assets are comprised of computer hardware and software and leasehold improvements and are amortized on a straight-line basis over three years and the term of the lease respectively.

(c) Employee Benefit Plans

Until November 29, 2001 the Corporation provided pension benefits to its classified full-time employees through participation in the Public Service Pension Fund and the Ontario Public Service Employees' Pension Fund, which are multi-employer defined benefit pension plans.

Effective November 30, 2001 amendments to the Capital Investment Plan Act 1993 stipulated the ORC employees were no longer part of the Ontario Public Service. Employees who have participated in the Public Service Pension Fund or the Ontario Public Service Employees' Pension Fund continued, from November 30, 2001, as participants in the Public Service Pension Fund. This plan is accounted for as a defined contribution plan as the Corporation has insufficient information to apply defined benefit plan accounting.

Regular full-time employees hired after November 29, 2001 participate in a mandatory defined contribution pension and savings plan administered by a third-party administrator. The Corporation matches employee's contributions.

The pension expense represents the Corporation's contributions to the plans during the year.

2. SEVERANCE COSTS

The severance provision provides for staff severance costs associated with the Corporation's re-organization and the contracting out of its facilities and land management services. These severance costs are funded by Management Board Secretariat ("MBS"). The changes in the severance provision are as follows:

March 31	2002	2001
Severance provision, beginning of year	\$ 9,435	\$ 18,167
Decrease provision	(935)	(4,032)
Severance expenditures	(6,000)	(4,700)
Severance provision, end of year	\$ 2,500	\$ 9,435

3. CAPITAL ASSETS

Capital assets consist of the following:

March 31			2002	2001
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Computer hardware and software	\$ 1,500	\$ 1,238	\$ 262	\$ 177
Computer hardware and software under capital lease	900	670	230	258
Leasehold improvements	528	264	264	-
	\$ 2,928	\$ 2,172	\$ 756	\$ 435

Capital assets were acquired at an aggregate cost of \$1,060 (2001 - \$895) of which \$272 (2001 - \$628) were acquired by means of capital leases. Cash payments of \$788 (2001 - \$267) were made to purchase capital assets.

Certain capital assets are not reflected in the financial statements as they are provided at no charge to the Corporation by MBS.

4. LEASE COMMITMENTS

a) Operating

Operating leases are expensed in accordance with terms of the lease agreements. Under the terms of operating leases for government owned space, vehicles and office equipment, the Corporation is committed to rental payments as follows:

For the year ending March 31

2003	\$ 1,060
2004	103
2005	7
	\$ 1,170

b) Capital

The Corporation leases some of its computer equipment and vehicles. Leases that in effect represent the acquisition of an asset and incurrence of a liability are recorded as the purchase of an asset and the related liability is included under "Capital lease obligations".

The following is a schedule of future minimum lease payments under the capital leases expiring March 31, 2005 together with the balance of the capital lease obligations.

For the year ending March 31

2003	\$ 192
2004	95
2005	11
Total minimum lease payments	298
Less: amount representing interest at 4.66%	13
Balance of obligation	285
Less: current portion	192
Long-term portion	\$ 93

5. CONTINGENCIES

The Corporation is acting as an agent of the Ontario Government. As such, the Corporation is entitled to be indemnified against all liabilities properly incurred in the course of exercising its actual authority on behalf of the Ontario Government.

6. RELATED PARTY TRANSACTIONS

In addition to the cash reflected on the balance sheet, the Corporation maintains several other operating bank accounts and one capital reserve bank account. Funds in these accounts are held "in trust", administered on behalf of MBS and relate directly to the operation of MBS owned and leased properties or services provided to other ministries or agencies of the Ontario government. As of March 31, 2002 the cash balances of the aggregated operating accounts and one capital reserve account were \$23,210 (2001 - \$38,646) and \$119,551 (2001 - \$56,118) respectively.

The accounts receivable include \$7,898 (2001 - \$10,854) from MBS and other Ministries.

Administrative expenses include: accounting, human resources, audit, information and data processing, and communication services purchased from MBS.

The cost of post-retirement non-pension employee benefits were paid by MBS and are not included in the Statement of Operations and Retained Earnings.

The Corporation is economically dependent on the Province as all of the revenues received from the Province for the provision of services are under the control of the Chair of Management Board of Cabinet.

The ORC's prime sources of revenue are:

a) Management Fees

Market-based fees, charged for services provided for Facility & Asset Management, and Project Management related to MBS owned assets.

b) Expense Reimbursement - In Lieu of Fees

Pending the implementation of a full fee structure and the completion of the transition, corporate costs incurred by ORC (third party leases, negotiation services, financial services, and audit, legal, corporate relations/communications and human resource services) are funded by MBS as an annual allocation along with the administration costs associated with the sale and acquisition of properties on behalf of the ministries and staff severance costs associated with the ORC's transition from the OPS and the implementation of alternative services delivery initiatives.

c) Direct Recoverable Costs

In the North and East regions the ORC staff co-ordinate and provide direct building operating and maintenance services in support of the portfolio. These costs are directly recoverable from MBS and funded from the operating and maintenance rental payments under accommodation agreements.

7. PENSION PLANS

The Corporation's required contributions related to the pension plans for the year ended March 31, 2002 were \$675 (2001 - \$757) and are included in the salaries and benefits in the Statement of Operations and Retained Earnings.

8. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of cash, accounts receivable, accounts payable and accrued liabilities approximate their fair values because of the short-term maturity of these instruments.

9. SALARY DISCLOSURE

The Public Sector Salary Disclosure Act, 1996 requires disclosure of Ontario public sector employees paid an annual salary in excess of \$100,000. For the Corporation, this disclosure for the 2001 calendar year is as follows:

Name	Position	Salary	Taxable Benefits
Robert Budd	Vice-President, Real Estate Marketing	\$130,599	\$233
MaryLee Farrugia	Executive Vice-President & General Counsel	\$159,994	\$706
Linda Gregory	Chief Financial Officer & Treasurer	\$145,026	\$295
William Hard	Vice-President & Controller	\$117,712	\$224
James Harney	Facility Manager, North Bay & Timmins	\$112,499	\$149
Clive Kessel	Vice-President, Special Projects	\$107,888	\$253
Hubert Labelle	Vice-President, Facilities Services, Northern	\$137,957	\$226
Peter Leroux	Executive Vice-President, Facilities Services	\$160,899	\$715
Erwin Massiah	Vice-President, Facilities Services (GTA)	\$127,972	\$232
Angela Mazzotta	Vice-President, Facility Support Services	\$132,270	\$238
Tony Miele	Chief Executive Officer & President	\$242,328	\$409
Daniel Plamondon	Vice-President, Project Management	\$130,084	\$242
Lori Robinson	Vice-President, Asset Planning	\$101,404	\$226
Bradley Searchfield	Executive Vice-President, Real Estate	\$141,860	\$688
	Sales & Marketing		
Peter Slater	Structural Engineer	\$153,637	\$252
John Van Vliet	Vice-President, Facility Services, Southwestern	\$115,306	\$226
Reg Watkins	Senior Project Manager	\$107,632	\$212

C O R P O R A T E D I R E C T O R Y

Board of Directors

The ORC's government-appointed Board of Directors is comprised of a group of individuals who bring to the organization a depth of private and public sector expertise in all areas of real estate. It is their vision for the future, together with the strong leadership of the ORC's senior management team, which has helped the ORC implement successful partnerships with the private sector through formal, public Request for Proposal processes and institute recognized private sector business practices into its operations. The aggregate remuneration for the members of the Board of Directors for the 2001/2002 fiscal year was \$87,340.00.

N. Scott White - Chair

Michael A. Barker

John J. Fogolin

Michael Fenn

Harold Gould

Malcolm Heins

Stephen Lim

David Lindsay

Richard Ling

Senior Management

Tony Miele	President and Chief Executive Officer
MaryLee Farrugia	Executive Vice President and General Counsel
Brad Searchfield	Executive Vice President, Real Estate and Sales Division
Peter Leroux	Executive Vice President, Facilities Services Division
Peter Oakes	Chief Financial Officer and Treasurer
Tobin Lambie	Senior Vice President, Corporate Relations

Inquires

General Inquiry:	416-327-3937
Fax:	416-327-1906
Toll Free:	1-877-863-9672
Internet Address:	www.orc.on.ca







Ontario
Realty
Corporation



Ontario Realty Corporation

Annual Report 2002/2003

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MESSAGE FROM THE CHAIR



As Chair of the Board for the Ontario Realty Corporation (ORC), I am pleased to take an active role in this organization by overseeing a dedicated Board whose members are an experienced group of private and public sector professionals.

Fiscal 2002/2003 was a rewarding year for the corporation as it made the necessary adjustments with its transition to an Operational Enterprise Agency. Improving customer service was a key goal and remains so today. The status quo is never acceptable. We are proud to have a dedicated team of employees with valuable public and private sector experience.

This combination of valuable experience allows the ORC to employ the best business practices from both the public and private sectors – allowing us to become a benchmark in public-sector real estate.

There are three core principles associated with everything we do:

- Professionalism
- Transparency
- Accountability

The ORC's precedent-setting changes are being noticed within the real estate industry. The ORC team was recognized on numerous occasions through awards and industry publications on a range of topics from organizational excellence to the transformation of the ORC into a strategic asset manager.

An example of this is our partnership with ProFac: We shared an award from the Building Owners and Managers Association (BOMA). The ORC, through the leadership of Tony Miele, President and CEO, is also receiving international attention. Mr. Miele received the Site Selection Corporate Real Estate Leadership Award. This globally recognized award acknowledged the corporation's move to its current role as the strategic manager of the province's real estate assets.

There will be more work to do and with a committed team firmly in place, the ORC will strive to reach its objectives in 2003/2004 to lead the way in public sector real estate.

REPORT FROM THE PRESIDENT

As President and CEO of the Ontario Realty Corporation (ORC), the organization has certainly changed from when I arrived at the Corporation. Just a few years ago it was a provider of services and trying to do everything itself. It was neither strategic nor did it act as a business enterprise. And, it did not use the private sector to implement its business plan.

We have changed all that and successfully moved to a full Operational Enterprise Agency. The transition was an adjustment for all ORC staff. It was necessary to invest our time and resources over the past year on rebuilding the corporate infrastructure, based on direction from our owner, Management Board Secretariat (MBS), and the needs of our clients.

Today, 100 per cent of our marketable properties are sold and leased by outside, professional brokers. These exclude properties that were circulated and sold to municipalities and the federal government as direct sales. We have also outsourced other aspects of our corporation including legal transactional work, appraisal, survey, design services, and construction.

The 2002/2003 fiscal year ended as the ORC's first year operating with a formal corporate objectives program. Expectations were high in terms of enhancing owner and customer satisfaction, reinforcing our role as a mandatory service provider, while still optimizing the value of the province's assets.

Last year, we had a successful year in our disposition program. We sold in excess of \$112 million worth of real estate.

But the ORC is more than just sales. The ORC recognizes the need to build alliances with municipalities. The ORC's construction activities have been generating new jobs and other valuable economic opportunities in communities across the province. When we're engaged in these projects – as well as real estate sales, leasing, and project management activities – the ORC is driven by its mandate to operate in an open and transparent fashion.

The ORC is also keen to take on new and exciting projects at the request of the government. For example, on December 31, 2002, the ORC took over the management of the properties formerly owned by Hydro One, on behalf of the Government of Ontario, adding approximately 50,000 acres to our portfolio. These properties are now owned by MBS.

I'm proud to say the ORC has come a long way, but there is still more we can do to improve networks, share ideas, and identify opportunities.

I would like to thank our colleagues at MBS for their continued support and advice. I would also like to thank our staff for their hard work during this transitional year and our Board of Directors for their guidance.

Together, we will continue to build the Ontario Realty Corporation on a solid foundation of accountability, transparency, and professionalism.



OVERVIEW



Whitney Block, Toronto

The Ontario Realty Corporation (ORC) is governed by the *Capital Investment Plan Act, 1993 (CIPA)*. Pursuant to Subsection 58 of *CIPA*, the objects of the Corporation include the provision of services and financing, related to real property and to improvements to real property, to the Ontario Government and its programs.

Mandate

As agent of the owner, the ORC will be the strategic manager of the government's real property, optimizing value through the rationalization of the portfolio, promoting high professional standards and enhancing customer service while ensuring real estate decisions reflect public policy objectives of the government.

ORC Vision

The ORC, a hybrid company with both private and public sector influences, will be a benchmark in public sector real estate management, acting as the sole provider of realty services, including strategic real estate advice, to the government.

Value Statement

The ORC will operate utilizing the best private and public sector business practices in a transparent and accountable manner and build partnerships through an exceptional team of professional and customer service driven employees.

Corporate Profile

Delivering Value through Dynamic Real Estate Management

With a province-wide portfolio that features over 6,000 buildings and represents more than 50 million rentable square feet of space, as well as 90,000 acres of vacant or surplus land, and a staff of approximately 315 full time workers, the ORC oversees and manages one of the largest real estate portfolios in Canada.

As a business-focused Crown Corporation, the ORC has a commercial mandate to rationalize the province's substantial real estate needs.

Originally established in 1993 as a service provider of real estate services, the ORC has become an innovative service management organization. The ORC provides a broad range of real estate services, including construction project management, facilities management, portfolio management and asset rationalization on behalf of Management Board Secretariat (MBS) and its client ministries and agencies. The result is a market-receptive corporation that partners with private sector suppliers to deliver more professional, strategic, and cost-effective services to its customers.

An experienced team of professional senior managers and a government-appointed Board of Directors – each with a depth of public and private sector and real estate expertise – leads the ORC. It is their strong leadership and vision for the future that has helped the ORC implement successful partnerships with the private sector through formal, transparent sales transactions, public Request for Proposal processes and the institution of recognized private sector business practices in its operations.

Operating as an agency of MBS, the ORC has a clear line of accountability to the Government of Ontario. The President and CEO is responsible and accountable to the ORC's Chair and Board of Directors; the Board is accountable to the Chair of the Management Board of Cabinet.

Former Hydro One Properties

On June 27, 2002, the Ontario Government passed the *Reliable Energy and Consumer Protection Act*. This Act, among other things, transferred ownership of transmission corridor lands owned by Hydro One to the Ontario Government.

The transfer took place on December 31, 2002, and the Ontario Government assumed control of approximately 50,000 acres of Hydro One Networks transmission corridor lands. The purpose of this transfer was to protect corridor land so that it remains available for uses that benefit the public. While recognizing the primacy of transmission and distribution uses, the government believes that there are opportunities for continued secondary land uses.

The ORC, acting as the agent for the Government of Ontario, is the agency now responsible for administering all secondary land use agreements, including: leases, licences and easements. The ORC also manages the corridor lands not currently bound by secondary land use agreements while Hydro One is responsible for maintaining the lands. The ORC is responsible for working with municipalities on secondary land use planning. In addition, the ORC will manage the sale of surplus corridor lands.

The ORC has retained Hydro One as its service provider to deliver selected professional real estate management services during a transitional period following the transfer of the corridor lands. The ORC is in the process of developing and implementing the permanent service delivery model.

International Recognition

Proof that the ORC is building on excellence in property and asset management is illustrated by an award bestowed upon Tony Miele,

President and CEO of the ORC, by Site Selection, the world's foremost development industry publication. The award was presented in recognition of Tony's success in transforming the ORC into a manager of strategic assets and for introducing corporate real estate best practices to the organization.

The ORC and SNC-Lavalin ProFac Inc. (the ORC's facilities management service provider) collected a Certificate of Excellence Award from the Building Owners and Managers Association for excellence in property and facility management. The award was for the two organizations' excellence in management, operations, design, tenant and community relations, and tenant satisfaction for the Ontario Government's Stone Road Complex in Guelph. This award proves that government and private sector can work efficiently hand-in-hand to provide excellent customer service.

Program Evaluation

The government's realty services program was one of the first MBS programs to go through the program evaluation process. The evaluation had two key objectives – to determine whether the realty services associated with delivering government programs are being provided and managed effectively and efficiently; and to determine if there is appropriate and adequate asset stewardship of the government's real estate portfolio.



One Stone Road, Guelph



Willet Green Miller Building, Sudbury

Book Values

Starting in 2002/2003, the Province has moved to a "full accrual" basis of accounting, in line with Public Sector Accounting Standards. Consequently, the book value of all assets, including real estate, will be included in the Public Accounts of the Province. The ORC was assigned the task of establishing the book values for the assets owned by MBS.

To support book values, a new set of accounting policies was developed to track and update the values on an ongoing basis.

Information Technology Success

The ORC recently completed a three year IT strategic plan with a mission to make more effective use of digital technologies to expand its strategic options, serve customers better, improve productivity and reduce expenses. The envisioned state of the ORC is that, through technology, the Corporation can transform itself into a "Digital Enterprise", using online, digitized forms of information to enhance operations and customer service. This is a key strategic initiative for the Corporation.

Implementation of the IT strategy includes a series of projects, including improvements to existing applications, such as the Geographic Information System (GIS) database (linking spatial data with business attributes for land fabric, surveys, properties, buildings, and wells), and a transition from the existing records management system to an online, web-based application to enhance archiving and sharing of linked, digitized information across the Corporation.

Data Quality

Improved data integrity has been recognized as a corporate requirement by ORC management for some time. Work is underway to complete an accurate picture of the portfolio of assets and ensure information is updated regularly. The initiative to take over Hydro One lands will add a significant amount of property to the portfolio, with an associated large amount of information to be maintained.

Last year, work was completed on determining the extent of the data integrity challenge, identifying the data elements critical to the ORC's business, and identifying a number of measures necessary to address the information requirements.

Communication and Outreach

The ORC fulfilled ambitious goals for outreach activities in 2002/2003. The agency undertook a multifaceted approach to rebuild key stakeholder relationships by earning confidence and trust through various communication and outreach activities.

Some of the initiatives implemented to contact or keep the ORC's many stakeholders informed included:

- industry meet-and-greets
- speaking opportunities
- a municipal contact program
- internal and external newsletters
- an updated ORC portfolio package
- continued operation of the ORC Web site

One of the main objectives of the ORC's outreach program was to deliver clear and consistent messages, which reflect the ORC's business and corporate positioning to our stakeholders.

A primary goal was to make clear the Corporation's core services:

- Construction Project Management
- Facilities Management
- Portfolio Management
- Real Estate Services
- Asset Rationalization.

The ORC's Corporate Relations Branch coordinated most of the communication efforts pertaining to the agency. Senior management of the ORC played a key role in the communication effort, and where appropriate, the ORC Board members took part in the activities as well. The ORC kept the Minister and MBS informed and current on the views of its clients and stakeholders with regard to realty stewardship matters.

Performance-Based Culture

On November 30, 2001, the ORC completed its transition to an Operational Enterprise Agency. This major step in the Corporation's history allows the ORC to better compete in the real estate market, retain and recruit the best real estate professionals and above all help the ORC meet its continuing commitment to improve customer service.

The ORC established a comprehensive performance management program which has been the foundation in the development of a pay for performance environment. There are three (3) critical ingredients to the ORC performance management system. They are:

1. Objectives and Measurements

The objective is to align the ORC's corporate measures with business units and individual employees. The objectives setting and measurement form the basis for tracking individual and organizational progress, identifying degrees of success, and recognizing achievement.

The Executive team, with the Board of Directors, develops corporate objectives and measures for the upcoming year. The business unit heads, with the Executive, cascade the corporate objectives and measures down to the business unit levels. Individual objectives flow from the establishment of the business unit objectives.

2. Performance Appraisals

At the ORC, we believe that every employee contributes to our ability to achieve our business goals. Therefore, employee performance is reviewed annually, linking individual performance to the ORC's business plan. The appraisal program is critical towards the performance-based environment which values, recognizes and rewards outstanding performance.

3. Job Description and Evaluation

In 2002/2003, the ORC established new job descriptions for all positions, using a standard approach. The job evaluation process involved training the employees to enable them to complete a Position Analysis Questionnaire (PAQ). The information from the PAQ, coupled with information from the manager, was used to develop a new job description. The employee and manager mutually agreed and signed off on the PAQ and job description.

A Job Evaluation Committee was established and consisted of employees from each area of the company and representing all levels. With the guidance of Mercer Delta the committee evaluated and rated all positions. The job evaluation process was designed to ensure the ORC is compliant with the *Pay Equity Act*.



MNDM Headquarters, 159 Cedar Street, Sudbury

MANAGEMENT DISCUSSION AND REVIEW OF OPERATIONS



Frost Building South, Toronto

A Benchmark in Public Sector Real Estate Management

The ORC provides a broad range of real estate services including construction management, facilities management, portfolio management and asset rationalization on behalf of the Management Board Secretariat and client ministries.

The Corporation operates within the framework of the government agenda, the real estate industry and market conditions. Today, the ORC has moved away from delivering services directly to client ministries and agencies, to strategic portfolio management.

Rationalizing Ontario's vast real estate portfolio allows strategic reinvestments to be made to facilities that are truly in need.

Open and Accountable

The ORC is committed to reaching out to its stakeholders throughout the Province of Ontario to answer their questions and to make clear the Corporation's core services.

The ORC embraces its mandate to operate in an open, accountable and professional manner. Guidelines and procedures for the sale of public assets require separate planning, appraisal and marketing teams. These proce-

dures have been independently reviewed and found to meet or exceed current industry standards.

Facilities Management Services

This division oversees building operation, maintenance and repair services, private sector lease negotiation and administration, subletting of space, asset management and accommodation planning to ensure the effective use of space for government programs.

The ORC has been focused on implementing and managing new processes to meet customer needs and delivering open, accountable and effective facility/land management services. Working with internal and external service providers, the Corporation is optimizing the use of the government's owned and leased space through improved utilization, promotion of accommodation planning, and the negotiation of service agreements. In the Greater Toronto Area (GTA) and the Southwestern region, SNC-Lavalin ProFac Inc. provides comprehensive facility management. In the Northern and Eastern regions, these services are managed by the ORC and are outsourced to various contractors. As for the land portfolio, this is overseen by DEL Management Solutions Inc.

Construction Project Management

This area manages more than \$100 million annually in new construction projects including major building projects, and repair and alteration projects funded by provincial government ministries and agencies.

Project management activities include the planning, design and construction of new facilities, and major alteration and repair of existing facilities, on behalf of client ministries and agencies. In 2002/2003, the ORC managed the following projects:

MANAGEMENT DISCUSSION AND REVIEW OF OPERATIONS

Court Projects:

- Construction of new courthouses in Owen Sound, Chatham and Brockville;
- Planning projects in Cornwall and Pembroke;
- Planning projects (in conjunction with SuperBuild) in Toronto, Durham, Pembroke, Kitchener-Waterloo, Thunder Bay and other locations in Southwestern Ontario.

Correctional Facilities Projects:

- Finalization of a project in Penetanguishene;
- Correctional facilities at Maplehurst (Milton), and Lindsay;
- Phase 2 construction work of correctional facilities in Ottawa and Brockville;
- Planning projects in North Bay, Sault Ste. Marie, GTA and other locations in Southwestern Ontario;
- OPP Telecommunication Centres and Detachments;
- Youth Detention Centres in Brampton and in Northern, Southwestern and Eastern Ontario.

Health Care Projects:

- Mental Health Centre Penetanguishene – Oak Ridge Building;
- Ministry of Health Biosafety Laboratories;
- Regional Psychiatric Hospitals.

Other Projects

- Implementation of property repair and alteration projects on behalf of client ministries and agencies.

Real Estate Services

The division develops marketing strategies to obtain fair market value for the sale of surplus real estate assets. The division also provides property acquisition and real estate services, real estate planning and development, interim land management and environmental compliance for all real estate activities and inventory management.

In 2002/2003, by pursuing strategies focused on real property sales and asset rationalization, the following objectives were completed:

- Met sales target of \$50 million net of book value – in fact, **achieved \$112 million in gross sales and \$63 million in net sales;**
- Enhanced the asset information system to identify assets for sale, focusing on marketability, space utilization and other key factors;
- Enhanced value and marketability of targeted assets by maximizing occupancy;
- Implemented an improved sales reporting system to track project milestones and measure productivity;
- Established protocols with client ministries and agencies on identification and transfer of real property for sale;
- Developed long-term portfolio and exit strategies to minimize the government's exposure to costs associated with aging assets;
- Negotiated with the Ministry of Transportation to transfer surplus real estate properties to Management Board Secretariat;
- Increased its profile with the Real Estate industry. Team members also gave presentations at several real estate conferences and regularly attended industry events.



Fort Frances Courthouse



MNR-Glenora Fish Research Station

Ontario Realty Corporation

Responsibility for Financial Reporting

The accompanying financial statements of the Ontario Realty Corporation have been prepared in accordance with accounting principles generally accepted in Canada and are the responsibility of management. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to June 10, 2003.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal controls. Management maintains a system of internal controls designed to provide reasonable assurance that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities. An internal audit function has been established that independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its findings to management and the Board of Directors.

The financial statements have been audited by the Provincial Auditor. The Provincial Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditor's Report, which appears on the following page, outlines the scope of the Auditor's examination and opinion.

On behalf of Management:

A handwritten signature in dark ink, appearing to read 'Peter Oakes', with a stylized, cursive script.

Peter Oakes

Chief Financial Officer & Treasurer

June 10, 2003

AUDITOR'S REPORT

Office of the
Provincial Auditor
of Ontario



Bureau du
vérificateur provincial
de l'Ontario

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B.P. 105, 15e étage, 20, rue Dundas ouest, Toronto (Ontario) M5G 2C2
(416) 327-2381 Fax: (416) 327-9862

Auditor's Report

To the Ontario Realty Corporation,
Chair of the Management Board of Cabinet,
and to the Minister of Finance

I have audited the balance sheet of the Ontario Realty Corporation as at March 31, 2003 and the statements of operations and retained earnings and of cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in dark ink, appearing to read 'Erik Peters'.

Toronto, Ontario
June 10, 2003

Erik Peters, FCA
Provincial Auditor

FINANCIAL STATEMENTS

ONTARIO REALTY CORPORATION (A Crown Corporation of the Province of Ontario)

As at
March 31, 2003

BALANCE SHEET

Ontario Realty Corporation

(A Crown Corporation of the Province of Ontario)

(in thousands of dollars)

As at March 31 2003 2002

ASSETS

CURRENT ASSETS

Cash	\$15,409	\$13,101
Prepaid expenses	443	690
Accounts receivable	13,711	8,593
Future recoveries from Management Board Secretariat (note 2)	2,000	2,500
	31,563	24,884
Capital assets (note 3)	1,967	756
	\$33,530	\$25,640

LIABILITIES AND RETAINED EARNINGS

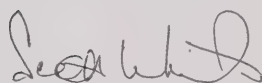
CURRENT LIABILITIES

Accounts payable and accrued liabilities	\$9,390	\$5,985
Provision for severance costs (note 2)	2,000	2,500
Current portion of capital lease obligations (note 4b)	461	192
	11,851	8,677
Capital lease obligations (note 4b)	430	93
RETAINED EARNINGS	21,249	16,870
	\$33,530	\$25,640

Contingencies (note 5)

See Notes to Financial Statements

On behalf of the Board:



Chair:



Director:

STATEMENT OF OPERATIONS AND RETAINED EARNINGS

Ontario Realty Corporation

(A Crown Corporation of the Province of Ontario)

(in thousands of dollars)

Year Ended March 31	2003	2002
REVENUES		
Management fees (note 6)	\$30,431	\$25,692
Expense reimbursement – in lieu of fees (note 6)	12,938	12,918
Direct recoverable costs (note 6)	5,508	4,339
Bank interest and other income	414	399
	\$49,291	\$43,348
EXPENSES		
Salaries and benefits	\$26,773	\$20,182
Direct operating expenses	15,708	10,293
Depreciation	1,352	739
Administrative expenses (note 6)	1,042	1,710
Interest on capital lease obligations	34	20
Loss on disposal of capital assets	3	–
	\$44,912	\$32,944
EXCESS OF REVENUES OVER EXPENSES BEFORE SEVERANCE COSTS	4,379	10,404
Provision for severance costs (note 2)	(900)	935
Future recoveries from Management Board Secretariat (note 2)	900	(935)
EXCESS OF REVENUES OVER EXPENSES	\$4,379	\$10,404
RETAINED EARNINGS, BEGINNING OF YEAR	16,870	6,466
RETAINED EARNINGS, END OF YEAR	\$21,249	\$16,870

See Notes to Financial Statements

STATEMENT OF CASH FLOWS

Ontario Realty Corporation

(A Crown Corporation of the Province of Ontario)

(in thousands of dollars)

Year Ended March 31	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of revenues over expenses	\$4,379	\$10,404
Adjustments for:		
Depreciation	1,352	739
Loss on disposal of capital assets	3	—
Provision for severance costs	900	(935)
Future recoveries from Management Board Secretariat (note 2)	(900)	935
	\$5,734	\$11,143
Changes in non cash working capital		
Decrease (increase) in accounts receivable	(5,118)	2,404
Decrease (increase) in prepaid expenses	247	(666)
Increase (decrease) in accounts payable and accrued liabilities	3,405	(2,204)
	4,268	10,677
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of capital assets (note 3)	(1,423)	(788)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Severance payments made during year (note 2)	(1,400)	(6,000)
Severance recoveries from Management Board Secretariat during year (note 2)	1,400	6,000
Repayment of capital lease obligations	(537)	(235)
	(537)	(235)
Net increase in cash	2,308	9,654
Cash, beginning of year	13,101	3,447
CASH, END OF YEAR	\$15,409	\$13,101

See Notes to Financial Statements

Ontario Realty Corporation

(A Crown Corporation of the Province of Ontario)

Year ended March 31, 2003

Nature of the Corporation

The Ontario Realty Corporation (the Corporation) was established under the *Capital Investment Plan Act 1993* as a Crown Corporation of the Province of Ontario (the Province).

The Corporation provides project management, real estate and property management services to ministries and agencies of the Ontario government that directly own assets or require the Corporation's real estate services. The Corporation manages 51.9 million rentable square feet: 43.7 million owned by the Province and 8.2 million leased from the private sector at locations across the Province. The Corporation does not hold title to the managed land and buildings and therefore the land and buildings are not reflected in these financial statements. Any surplus funds shall, upon the instructions of the Minister of Finance, be paid to the Consolidated Revenue Fund of the Province of Ontario. In determining the amount payable, if any, the Minister of Finance shall ensure that the payment will not impair the Corporation's ability to pay its liabilities, to meet its obligations as they become due or to fulfill its contractual commitments.

As a Crown Corporation and service organization of the Province, the Corporation is exempt from income taxes.

1. Summary of Significant Accounting Policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. Significant accounting policies followed in preparation of these financial statements are:

(a) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions relating to revenues and expenses which affect the reported amounts of assets, liabilities and related disclosures as of the date of the financial statements. Actual amounts could differ from these estimates.

(b) Capital Assets

Capital assets in excess of one thousand dollars with a future useful life beyond the current year are capitalized at cost. They are depreciated over their estimated useful lives on a straight-line basis as follows:

Computer hardware and software	3 years
Custom software	5 years
Furniture and fixtures	3 years
Leasehold improvements	Over term of lease

(c) Employee Benefit Plans

Until November 29, 2001 the Corporation provided pension benefits to its classified full time employees through participation in the Public Service Pension Fund and the Ontario Public Service Employees' Pension Fund, which are multi-employer defined benefit pension plans.

Effective November 30, 2001 amendments to the Capital Investment Plan Act 1993 stipulated the Corporation employees were no longer part of the Ontario Public Service. Employees who had participated in the Public Service Pension Fund or the Ontario Public Service Employees' Pension Fund continued, from November 30, 2001, as participants in the Public Service Pension Fund. This plan is accounted for as a defined contribution plan as the Corporation has insufficient information to apply defined benefit plan accounting.

Regular full-time employees hired after November 29, 2001 participate in a mandatory defined contribution pension and savings plan administered by a third-party administrator. The Corporation matches employees's contributions.

The pension expense represents the Corporation's contributions to the plans during the year.

2. Severance Costs

March 31	2003	2002
Severance provision, beginning of year	\$2,500	\$9,435
Increase (decrease) of provision	900	(935)
Severance payments	(1,400)	(6,000)
Severance provision, end of year	\$2,000	\$2,500

3. Capital Assets

Capital assets consist of the following:

March 31		2003	2002
	Cost	Accumulated Depreciation	Net Book Value
Computer hardware and software	\$1,852	\$1,531	\$321
Computer hardware and software under capital lease	1,552	699	853
Custom software	832	166	666
Furniture and fixtures	50	17	33
Leasehold improvements	716	622	94
	\$5,002	\$3,035	\$1,967
			\$756

During the year ended March 31, 2003, capital assets were acquired at an aggregate cost of \$2,566 (2002 – \$1,060) of which \$1,143 (2002 – \$272) were acquired by means of capital leases. Cash payments of \$1,423 (2002 – \$788) were made to purchase capital assets.

Certain capital assets are not reflected in the financial statements as they are provided at no charge to the Corporation by MBS.

4. Lease Commitments

a) Operating

Operating leases are expensed in accordance with terms of the lease agreements. Under the terms of operating leases for government owned space (as per the current government charging for accommodation program, where ministries and agencies pay for the space they occupy; all agreements expire March 31, 2004), vehicles and office equipment, the Corporation is committed to rental payments as follows:

For the year ending March 31

2004	\$1,425
2005	75
2006	36
2007	13
2008	13
	\$1,562

NOTES TO FINANCIAL STATEMENTS

b) Capital

The Corporation leases some of its computer equipment. Leases that in effect represent the acquisition of an asset and incurrence of a liability are recorded as the purchase of an asset and the related liability is included under "Capital lease obligations".

The following is a schedule of future minimum lease payments under the capital leases expiring March 31, 2006 together with the balance of the capital lease obligations.

For the year ending March 31

2004	\$461
2005	367
2006	159
Total minimum lease payments	987
Less: amount representing interest at 6.85%	96
Balance of obligation	891
Less: current portion	461
Long-term portion	\$430

5. Contingencies

The Corporation is acting as an agent of the Ontario Government. As such, the Corporation is entitled to be indemnified against all liabilities properly incurred in the course of exercising its actual authority on behalf of the Ontario Government.

6. Related Party Transactions

In addition to the cash reflected on the balance sheet, the Corporation maintains several other operating bank accounts and one short-term investment account. Funds in these accounts are held "in trust", administered on behalf of MBS and relate directly to the operation of MBS owned and leased properties or services provided to other ministries or agencies of the Ontario government. As of March 31, 2003 the cash balances of the aggregated operating accounts and short-term investment were \$84,496 (2002 – \$23,210) and \$62,700 (2002 – \$119,551) respectively.

The accounts receivable include \$13,626 (2002 – \$7,898) from MBS and other Ministries.

Administrative expenses include: human resources, information and data processing, and financial consulting purchased from MBS.

The cost of post-retirement non-pension employee benefits was paid by MBS and is not included in the Statement of Operations and Retained Earnings.

The Corporation is economically dependant on the Province as all of the revenues received from the Province for the provision of services are under the control of the Minister/Chair of Management Board of Cabinet.

The Corporation's prime sources of revenue are:

a) Management Fees

Market-based fees are charged for services provided for Facility and Asset Management, and Project Management related to MBS owned assets.

b) Expense Reimbursement — In Lieu of Fees

Pending the implementation of a full fee structure and the completion of the transition, corporate costs incurred by the Corporation (third party leases, negotiation services, financial services, legal, corporate relations/ communications and human resource services) are funded by MBS as an annual allocation along with the administration costs associated with the sale and acquisition of properties on behalf of the ministries and staff severance costs associated with the Corporation's transition from the Ontario Public Service and the implementation of alternative services delivery initiatives.

c) Direct Recoverable Costs

In the North and East regions the Corporation staff co-ordinate and provide direct building operating and maintenance services in support of the portfolio. These costs are directly recoverable from MBS and funded from the operating and maintenance rental payments under accommodation agreements. In addition out of pocket expenses associated with special projects undertaken on behalf of MBS were also recovered.

7. Pension Plans

The Corporation's required contributions related to the pension plans (see note 1c) for the year ended March 31, 2003 were \$951 (2002 – \$675) and are included in the salaries and benefits in the Statement of Operations and Retained Earnings.

8. Fair Value of Financial Instruments

The carrying amounts of cash, accounts receivable, accounts payable and accrued liabilities approximate their fair values because of the short-term maturity of these instruments.

9. Comparative Figures

Certain of the comparative figures have been reclassified to conform to the current year's presentation.

10. Salary Disclosure

The Public Sector Salary Disclosure Act, 1996 requires disclosure of Ontario public sector employees paid an annual salary in excess of \$100,000. For the Corporation, this disclosure for the 2002 calendar year is as follows:

Name	Position	Taxable Salary	Benefit
Brown, Douglas J.	Regional Vice-President (East)	\$122,273	\$616
Budd, Robert	VP, Regional Vice-President (Sales)	132,499	342
Contestabile, John	Vice-President Asset Review	139,650	360
Cursio, John G. P.	Manager, Project & Construction Services	111,890	288
Farrugia, MaryLee	Executive VP & General Counsel	201,079	14,716
Gregory, Linda	Vice-President Controller	158,983	688
Hankinson, James	VP, Special Projects Marketing	108,531	0
Hard, William G.T.	Vice-President Financial Planning	120,974	305
Labelle, Hubert	Regional Vice-President (North)	129,179	333
Lambie, Tobin	Sr. VP, Corp. Relations & Public Affairs	146,797	11,955
Leroux, Peter	Executive VP, Facility Services	224,388	17,059
Massiah, Erwin	Regional Vice-President (GTA)	140,896	365
Mazzotta, Angela	Vice-President Facility Support Services	134,980	347
McCreery, William	Senior Project Manager	110,733	297
Miele, Tony	President & Chief Executive Officer	227,504	15,005
Neally, Robert	Senior Project Manager	109,145	294
Noel, Richard	Senior Project Manager (Team Lead)	102,516	275
Oakes, G. Peter	Chief Financial Officer & Treasurer	129,069	14,633
Plamondon, Daniel	Vice-President Project Management	135,430	350
Robinson, Lori	Vice-President Asset Planning	129,179	333
Searchfield, Bradley	Exec. VP, Real Estate & Sales Div.	224,388	16,614
Storozuk, James	Vice-President Information Technology	131,057	640
Toh, Yee Seng	Project Manager Forensic Audit Review	100,124	0
Van Vliet, John	Regional Vice-President (Southwest)	129,179	333
Watkins, Reg	Senior Project Manager	110,235	297

Board of Directors

The ORC's government-appointed Board of Directors is comprised of a group of individuals who bring to the organization a depth of private and public sector expertise in all areas of real estate. It is their vision for the future, together with the strong leadership of the ORC's senior management team, that has helped the ORC implement successful partnerships with the private sector through formal, public Request for Proposal processes and institute recognized private sector business practices into its operations. The aggregate remuneration for members of the Board of Directors for the 2002/2003 fiscal year was \$78,322.50.

N. Scott White — Chair	<i>April 4, 2001 — April 3, 2004</i>
Michael A. Barker	<i>February 16, 2003 — February 15, 2006 *</i>
W. Michael Fenn	<i>June 21, 2000 — June 20, 2003</i>
John J. Fogolin	<i>December 20, 2001 — December 19, 2004 *</i>
Harold Gould	<i>March 1, 2000 — February 28, 2003</i>
Malcolm L. Heins	<i>September 26, 2001 — September 25, 2004</i>
Stephen Lim	<i>March 20, 2003 — March 19, 2004 *</i>
David L. Lindsay	<i>October 17, 2001 — October 16, 2004</i>
Richard H. Ling	<i>September 26, 2001 — September 25, 2004</i>
R.G. (Ron) McNeill	<i>December 4, 2002 — December 3, 2005</i>

* Subsequent appointment

Senior Management

Tony Miele	President and Chief Executive Officer
MaryLee Farrugia	Executive Vice President and General Counsel
Tobin Lambie	Senior Vice President, Corporate Relations
Peter Leroux	Executive Vice President, Facilities Services Division
Peter Oakes	Chief Financial Officer and Treasurer
Brad Searchfield	Executive Vice President, Real Estate and Sales Division
Robert Speck	Chief Administrative Officer and Corporate Secretary

Inquires

General Inquiry	416-327-3937
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Toll Free:	1-877-863-9672
Internet Address:	www.orc.on.ca



Ferguson Block, Toronto

